Department of Natural Resources

Newfoundland
Labrador

Annual Performance Report
2012-13

Report prepared by:

Department of Natural Resources
Strategic Planning and Policy Coordination Division
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Newfoundland
Labrador
Natural Resources

Message from the Minister

Speaker of the House of Assembly

Dear Mr. Speaker:

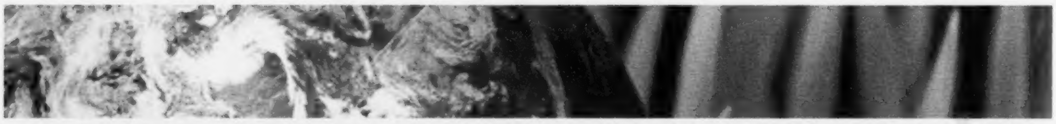
In accordance with the *Transparency and Accountability Act*, I hereby submit the 2012-13 Annual Performance Report for the Department of Natural Resources. The report includes the Mines and Energy Branches of the department and the Forestry and Agrifoods Agency.

The outcomes reported reflect government's strategic direction for the province's natural resources. My signature below is indicative of my accountability for the actual results reported.

Sincerely,

Marshall

Thomas W. Marshall, Q.C.
MHA, Humber East
Minister of Natural Resources and
Minister Responsible for the Forestry and Agrifoods Agency

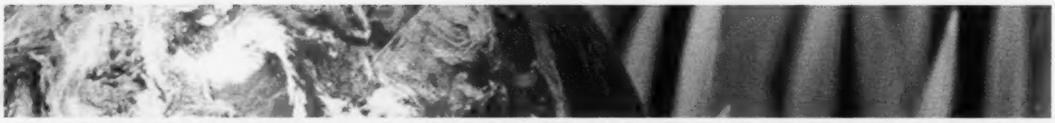


Performance Reporting

The *Transparency and Accountability Act* requires government departments, agencies, boards and commissions to engage in a formal planning and reporting process. As part of this process, the department must prepare and publish a strategic plan every three years. The strategic plan identifies the goals and objectives chosen by the department to advance its priorities over the planning period. Under this planning model, goals represent targeted outcomes over a three-year cycle, while objectives cover smaller achievements targeted for each year within the planning period. The strategic plan also lays out the department's overall mission which represents its single most important focus area and is typically carried through two planning cycles (usually six years) and reflected in two, subsequent, strategic plans. When engaging in the strategic planning process, the department must step back from day-to-day operations and identify the areas of its mandate that are of strategic importance to clients and/or the province as a whole, and identify mechanisms for advancing work in these areas. By publishing these plans, the department is able to inform the citizens of the province of what these priority areas are and how it plans to move them forward.

After the strategic plan is finalized and published, the department is required to monitor performance and provide periodic updates to the public on progress towards the priorities identified. Each year, the department prepares an annual performance report which provides updates on the achievement of annual objectives. In the final year covered by a planning period, the department must also report on progress toward the goals set out in the strategic plan. In the last year of a mission period, the department must also provide an update on achievements toward its overall mission.

This past fiscal year was the second year in the Department of Natural Resources' 2011-14 strategic planning period. As a result, this report will provide an account of the department's performance towards its annual objectives for 2012-13. Reporting on the status of goal and mission achievements will appear in the department's annual performance reports for 2013-14 and 2016-17 respectively.



Report Outline

The Department of Natural Resources is responsible for regulating and encouraging sustainable development of the province's natural resources[1], namely minerals, energy (oil, gas, hydro, wind, biofuels), forest assets and agriculture/agrifoods resources. To carry out its duties, the department is divided into two main areas of operation: the Mines and Energy Branches, commonly referred to as "the department" in the remainder of this report, and the Forestry and Agrifoods Agency, commonly referred to as "the agency". These two areas share a number of central functions and collaborate on select initiatives but, otherwise, operate independently of one another, each offering a distinct set of programs and services for their respective natural resource sectors. As a result, this annual performance report is divided into two "sub-reports" setting out performance results for the Mines and Energy Branches and the Forestry and Agrifoods Agency separately.

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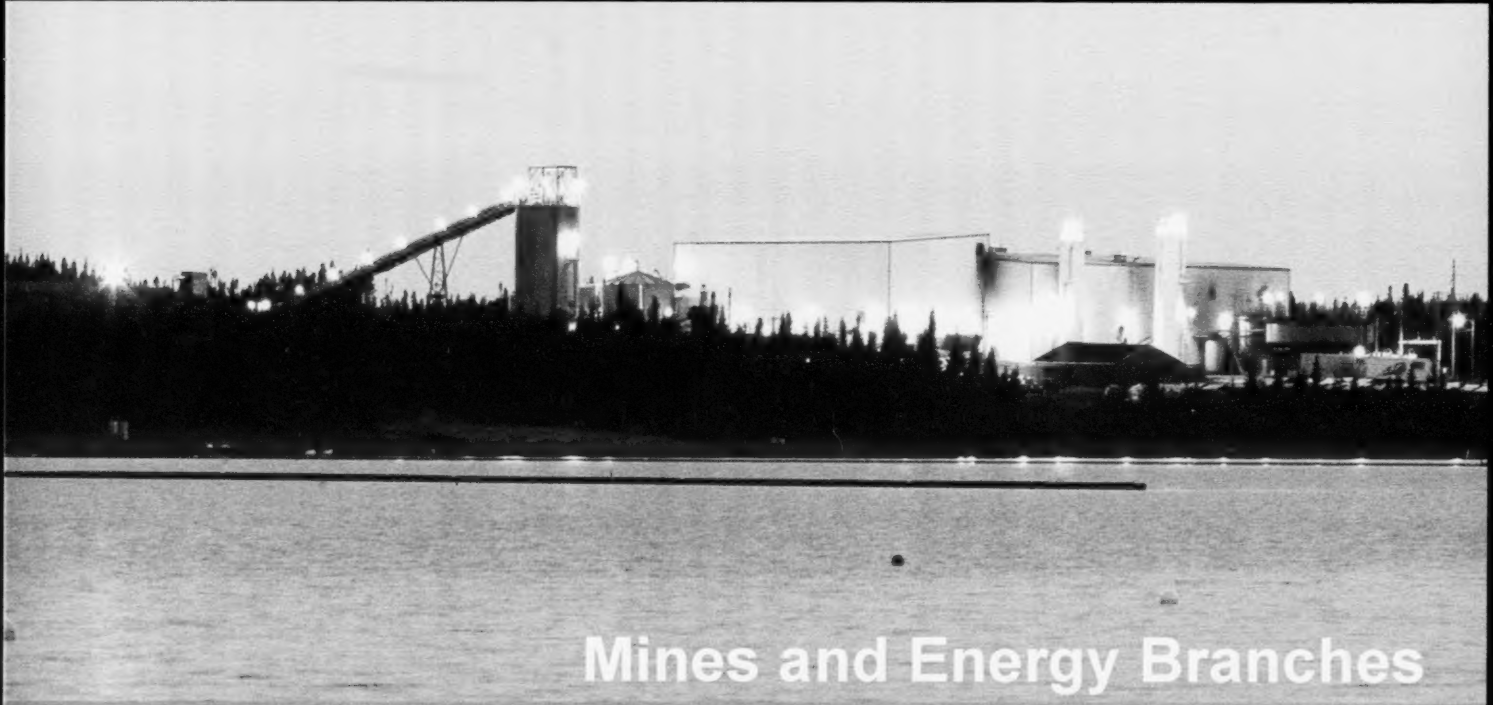
[1] Within the Government of Newfoundland and Labrador, fisheries resources are the responsibility of the Department of Fisheries and Aquaculture and wildlife resources are the responsibility of the Department of Environment and Conservation.

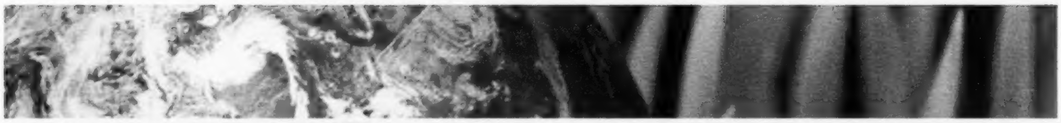


Mines and Energy Branches

TERRA NOVA FPSO

Photo Credits, previous page:

Top: Teck Duck Pond Operations, Mine Site at Night (Teck)
Bottom: Terra Nova FPSO (Suncor)



Mines and Energy Branches

Introduction

During 2012-13, the Department of Natural Resources (the department) continued to work towards its vision of *"…a province that realizes the full benefit from the sustainable development of its natural resources."* The department holds the primary responsibilities of regulating the development of mineral and energy resources; supporting the continued development of these resources; and ensuring maximum benefits accrue to the people of the province from that development.

In recent years, the province's economic status has experienced a dramatic turnaround. From decades, if not centuries, of "have-not", Newfoundland and Labrador's economy has been one of the most positive in Canada, a trend that is expected to continue. The single most important factor in this success story is the positive impact the province has felt from natural resource development.

In addition to stimulating the province's overall economy, the mines and energy sectors have made significant contributions to the provincial treasury in the form of royalties and taxes, as illustrated in the chart below.

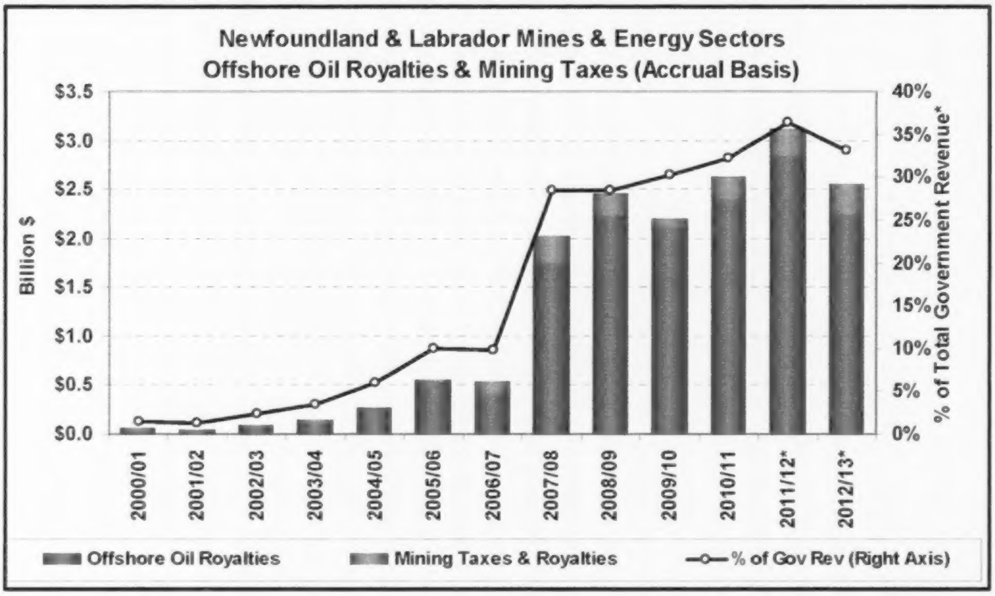
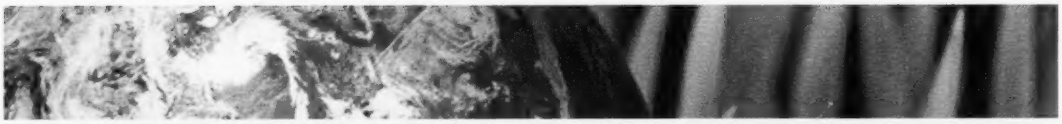


Figure 1: Oil and Mining Royalties/Taxation



Mines and Energy Branches

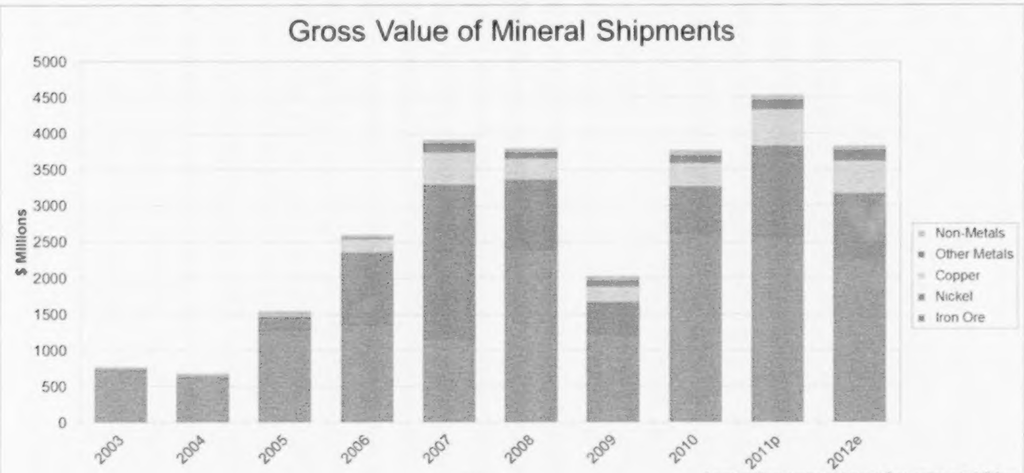
The funds received by the Provincial Government from the mines and energy sectors contribute to capital investments and overall public sector program delivery. In effect, they contribute to the construction and maintenance of provincial infrastructure and valued social programs such as education and health care, as well as all other provincial expenditures. Naturally, the funds from these sectors are not limitless or guaranteed. It is essential that government manages its expenditures wisely to make the most of the funds available. Just as important, however, is working with the mining and petroleum sectors, and the citizens of the province, to encourage continued investment in local resource exploration and development and to maximize the benefits from such activity to the province and its people.

The following sections provide an overview of the mining, petroleum and electricity sectors in the province.

Mining

Value of Mineral Shipments

The mining sector is a significant contributor to the provincial economy and has remained strong in recent years in a strained global environment. In 2011 mining accounted for nearly 10.1 per cent, or over $3 billion, of the province's nominal gross domestic product (GDP) of $31.3 billion[2]. The gross value of mineral shipments (GVMS) from the province for 2012 was estimated at $3.8 billion.



Sources: Department of Natural Resources and NRCan
p: Preliminary, e: Estimate

Figure 2: Gross Value of Mineral Shipments

Mineral products mined/quarried within the province include iron ore, nickel, copper, zinc, gold, aggregates, cobalt, silver, dolomite, limestone, peat and pyrophyllite. These commodities are used all over the world, from aggregate used in local construction to iron ore concentrates shipped to China and smelted into steel. Our mineral projects are contributing to the global economy and toward the quality of life for people worldwide.

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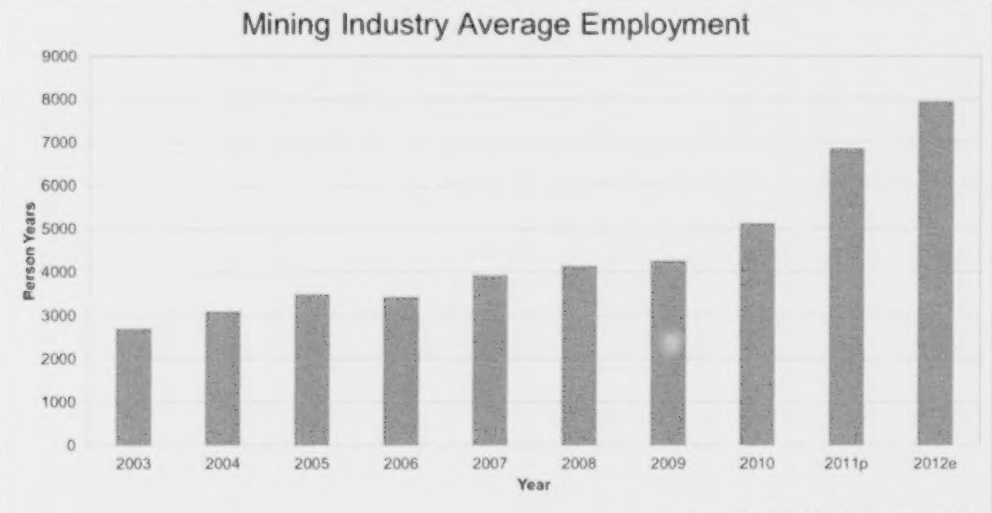
[2] GDP figures provided by the Department of Finance, Economics and Statistics Branch, and are as of May 2, 2013.

Employment

Direct employment in the provincial mining industry in 2012 was an estimated 7,957 person-years, an additional 1,086 person-years over 2011[3]. This is largely the result of increased construction employment at the hydromet nickel processing facility at Long Harbour. Employment levels remain strong at the IOC and Wabush mines and new iron ore mines in the Menihek region of Labrador are also contributing to increased employment. Employment in the sand and gravel industry is strong overall.



Sources: Department of Natural Resources and NRCan

p: Preliminary; e: Estimate

Figure 3: Mining Industry Average Employment

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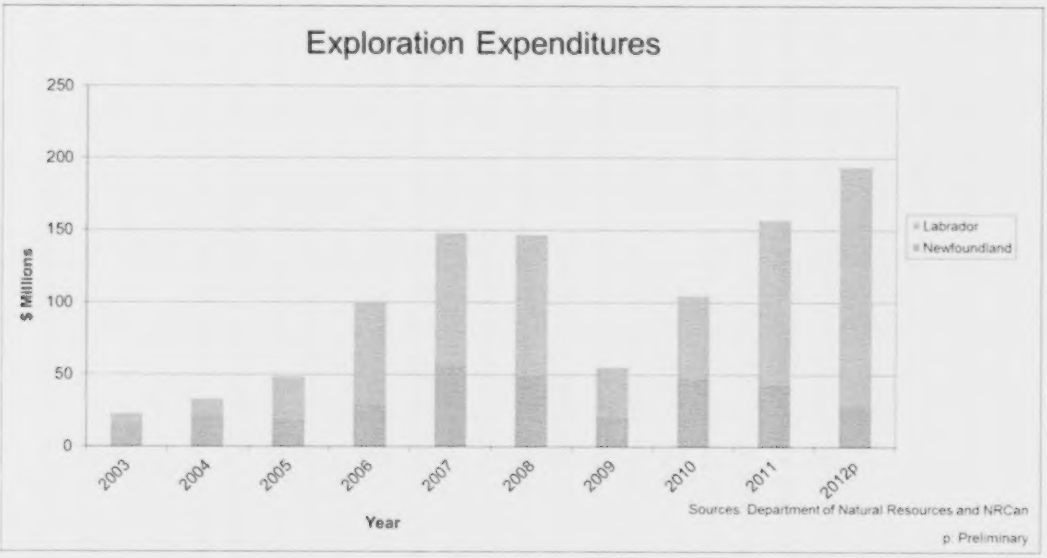
[3] Employment figures provided by the Department of Natural Resources Mines Branch. Figures include mining support services and construction related to mining projects, in addition to direct extraction activities.

Exploration Expenditures

Preliminary mineral exploration expenditures for 2012 were projected at an all-time high of about $194.0 million. Spending in Labrador is projected to increase markedly again, with iron ore as the primary exploration target. While exploration levels have increased, it should be noted that some of the increase in spending is attributed to higher exploration costs, particularly diamond drilling.



Sources: Department of Natural Resources and NRCan

p: Preliminary

Figure 4: Mineral Exploration Expenditures

Energy

Oil and Gas

The province's oil and gas resources include discovered reserves of 3.6 billion barrels of oil and 11 trillion cubic feet of natural gas. Undiscovered resources are estimated to total 6 billion barrels of oil and 60 trillion cubic feet of natural gas, suggesting strong potential for future discoveries.

The oil and gas industry has become an increasingly important part of Newfoundland and Labrador's economy since production began at the Hibernia oil field. Between 1997 and 2010 provincial real GDP grew by 58.8 per cent with approximately half of this growth directly attributable to oil production. In 2011, oil extraction and support activities accounted for 32.7 per cent of the province's nominal GDP, at just over $10.3 billion. In 2012, these same activities resulted in three per cent of provincial employment, or roughly 6,900 person years.[4]

The province's large-scale oil producing projects have produced more than 1.3 billion barrels[5] of oil since the first project – Hibernia – first came on stream. In 2012, Newfoundland and Labrador produced approximately 23 per cent of Canada's conventional light crude oil with offshore projects producing over 197,000 barrels of oil per day, on average. Total oil production in 2012 was down as compared to previous years due to natural declines and extended maintenance shutdowns of the Terra Nova and White Rose production installations. Production in 2013 is expected to return to more historical levels. In addition, new production is on the horizon as the existing Hibernia, Terra Nova, White Rose and North Amethyst oil fields[6] will soon be joined by the Hebron project. The construction phase of the Hebron development began in 2012 with first oil expected in 2017.

West Aquarius Drill Rig, Conception Bay South

Photo: Department of Natural Resources

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[4] The Economy, 2013.
[5] Total as of March 31, 2013: 1,381,721,034 barrels.
[6] The White Rose and North Amethyst oil fields are both being produced under the White Rose project.

Electricity

In addition to oil and gas, the province is home to large stores of clean, renewable energy. Newfoundland and Labrador has nearly 7,500 megawatts (MW) of electric generating capacity, of which approximately 90 per cent is hydro and wind, as well as transmission and distribution systems serving about 280,000 customers. Electricity utility service is provided by Newfoundland and Labrador Hydro (Hydro) and Newfoundland Power. Hydro, a subsidiary of Nalcor Energy (a Crown corporation), is primarily a generation and transmission utility providing over 80 per cent of the electricity consumed in the province as well as providing distribution services to rural parts of the Island and in Labrador. Newfoundland Power is primarily a power distribution utility, with some generation and transmission assets, operating on the Island portion of the province. Newfoundland Power purchases the majority of its customer electricity supply from Hydro. Both are regulated by the Board of Commissioners of Public Utilities (PUB).

There are two primary generation-transmission systems in the province: the Island-interconnected system and the Labrador-interconnected system. The Island-interconnected system has a total generating capacity of approximately 1,950 MW, with Hydro having approximately three quarters of that total. The Labrador-interconnected system serves customers from Labrador West to the Lake Melville region and is powered by electricity generated at the Churchill Falls hydroelectric generation plant located on the upper Churchill River. The majority of the 5,428 MW generated at Churchill Falls is sold into external markets with the exception of up to 525 MW used in the Labrador-interconnected system. In addition to the two primary systems in the province, there are another 21 electrically-isolated coastal community systems in place. These systems are powered primarily by small diesel generation, along with some imported hydroelectricity from Quebec in the Labrador Straits region.

The province is also home to the Lower Churchill Project, the most attractive undeveloped hydro project in North America. During 2012-13 Nalcor Energy (Nalcor), and its partner Emera Inc. of Nova Scotia, achieved official sanction of Phase I of the project. Phase I includes the development of an 824 MW hydro generation facility on the river at Muskrat Falls along with two transmission links, one between Labrador and the island and another between the island and Nova Scotia. The result will be a new source of clean electricity to meet the province's energy needs, as well as a mechanism for the sale of excess power into the North American electricity grid. The Department of Natural Resources plays an important role in the project by providing legislative and policy support. As well, Nalcor and the department continue to consider options for development of Phase II of the project which would involve the development of a second, 2250 MW generation facility at Gull Island following Phase I development.

Overview of the Department

The Department of Natural Resources was established under the *Executive Council Act* and is a category one government entity under the *Transparency and Accountability Act*. The department's responsibilities for natural resource development in the mining and energy sectors are executed by staff in its Mines and Energy Branches.

Vision

The vision of the Department of Natural Resources is a province that realizes the full benefit from the sustainable development of its natural resources.

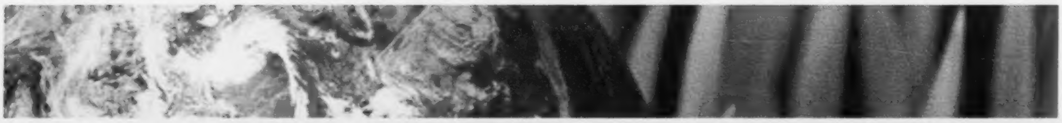
Mission Statement

By March 31, 2017, the Department of Natural Resources will have supported the growth of the energy and mineral resource industries in a sustainable manner for the benefit of future generations.

Mandate

The mandate of the Mines and Energy Branches includes supervision, control and direction of all matters relating to promotion, exploration and development of mineral and energy resources and related industry developments including:

- Mines, minerals, quarries, and quarry materials;
- Onshore petroleum resources;
- Offshore petroleum resources, managed jointly with the federal government;
- Electrical generation and transmission;
- Overall responsibility for provincial energy supply and demand;
- Development, monitoring, supervision, assistance or other government intervention into any of the industries as described above;
- Petroleum royalties and associated matters, within or outside the province; and,
- Identifying, assessing and monitoring industrial benefits commitments from major resource development projects.



Mines and Energy Branches

For a complete list of all legislative responsibilities that inform the departmental mandate, please refer to Appendix I and/or view provincial statutes and regulations by department on the House of Assembly website at www.assembly.nl.ca.

Primary Clients

The department is, ultimately, accountable to the residents of the province. Other primary clients include:

- Exploration and resource development companies;
- Electrical generation and supply distribution companies;
- Energy consumers (refined petroleum products and electricity for industrial, commercial and residential customers);
- Supply and service companies in the resource and electricity sector; and,
- Other Provincial Government departments, crown corporations and agencies.

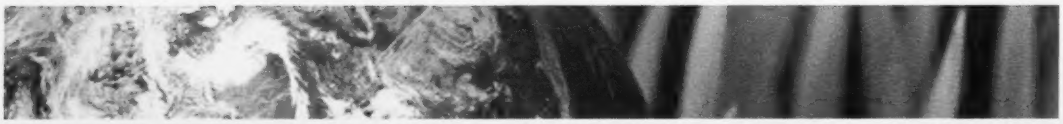
Mines Branch

The Mines Branch has three divisions:

The **Mineral Development Division** is responsible for the approval and permitting of mining operations through the *Mining Act*; the administration of the Mineral Incentive Program; the collection, analysis and publication of mineral production data; and the assessment and rehabilitation of abandoned mine sites across the province.

The **Mineral Lands Division** is responsible for the administration of mineral land tenure through the *Mineral Act*, the *Mineral Holdings Impost Act* and related legislation, including the issuance of exploration licenses and production leases; the administration of quarry material rights and developments, including on-going field investigations, through the *Quarry Materials Act*; the issuance of exploration approvals and follow-up inspections; the maintenance of the core library system and the provincial mineral rights registry.

The **Geological Survey Division** is responsible for mapping and interpreting the province's geology; conducting geochemical and geophysical surveys; conducting mineral deposit studies; maintaining and publishing maps, reports and databases concerning the province's geological and mineral endowment, including Geographic



Information System (GIS) based databases and web-delivery; and promoting the province's mineral potential.

Energy Branch

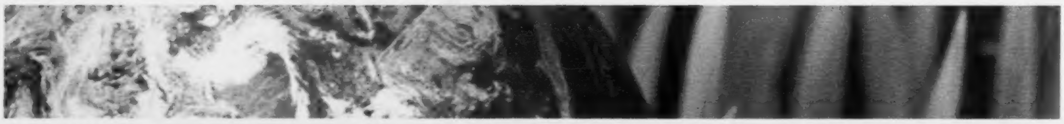
The Energy Branch is divided into three main sections, each made up of several divisions.

The **Petroleum Development Section** is responsible for fostering the exploration, development and production of the province's hydrocarbon resources and provides geological, geophysical, engineering, and regulatory services. Responsibilities include:

- The provision of technical services in the areas of petroleum geoscience, petroleum engineering and petroleum operations to facilitate sustainable development and management of petroleum resources both onshore and offshore; and,
- The provision of marketing and promotional services, both nationally and internationally, to foster the exploration, development and production of the province's hydrocarbon resources.

The **Royalties and Benefits Section** is responsible for maximizing the benefits to the local economy from the development of major resource projects. Responsibilities include:

- The maximization of fiscal benefits to the province from petroleum resource development and new mineral resource development through the negotiation, development, administration and monitoring of project agreements and legislation;
- The auditing of project costs and revenues to verify the accuracy of royalties paid to the province;
- The provision of energy-related economic/financial and supply/demand information review, analysis and advice to inform resource management decisions; and,
- The maximization of industrial benefits to the local economy from the development of major mining and energy projects through negotiation of benefits commitments, benefits monitoring and international promotion of the province's industrial capacity and capabilities.



The **Energy Policy Section** is responsible for developing, planning and coordinating policy matters relating to the province's energy sector. Responsibilities include:

- The management/co-management of onshore and offshore petroleum exploration and development, including regulatory development and compliance;
- Electricity industry governance and structure, electricity industry markets, alternative energy, and responsibility for the *Electrical Power Control Act;* and,
- General policy, planning and coordination in the energy sector, including a lead role in the implementation of the province's Energy Plan.

Employees

As of March 31, 2012-13, the Department of Natural Resources' Mines and Energy Branches had 181 staff members.

Branch	***Female***	***Male***	**Total**
Mineral Resources	33	61	94
Energy	20	31	51
Financial Operations (1)	5	6	11
Executive Support (2)	16	9	25
Total (3)	**74**	**107**	**181**

1. Financial Operations staff are shared with the Forestry and Agrifoods Agency and the Department of Fisheries and Aquaculture.
2. A number of employees in Executive Support are shared with the Forestry and Agrifoods Agency.
3. Excludes vacant positions and contractual arrangements.

Figure 5 – Employee Breakdown

Physical Location and Web Site

The department's main office is located in the Natural Resources Building in St. John's which houses the majority of department staff. Several staff members work at departmental/government facilities in Grand Falls-Windsor, Pasadena and Goose Bay. In addition, several employees are located at the department's geochemical lab at the Howley Building in St. John's.

The department's main office address is as follows:

Department of Natural Resources
50 Elizabeth Avenue
P.O. Box 8700
St. John's, NL A1B 4J6

The department's web site address is www.gov.nl.ca/nr. A link to the department's web site is also provided on the main web site for the Government of Newfoundland and Labrador at www.gov.nl.ca.

Budget

In 2012-13, expenditures for the divisions and sections of the Mines and Energy Branches were $21.6 million. The chart below shows expenses for the three divisions of the Mines Branch as well as the three sections of the Energy Branch. These figures do not include $24 million related to executive and support services that were shared with the Forestry and Agrifoods Agency.

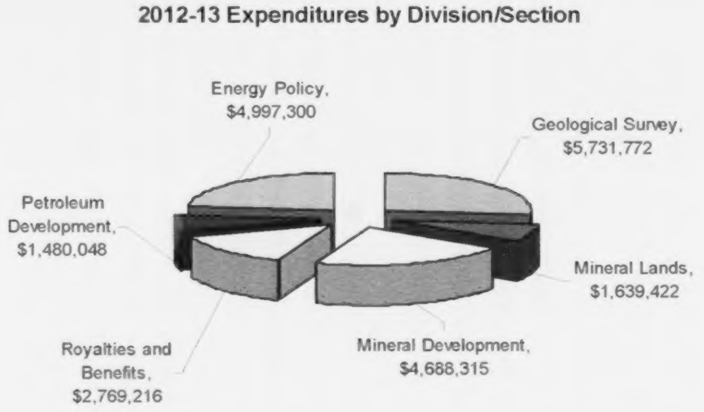
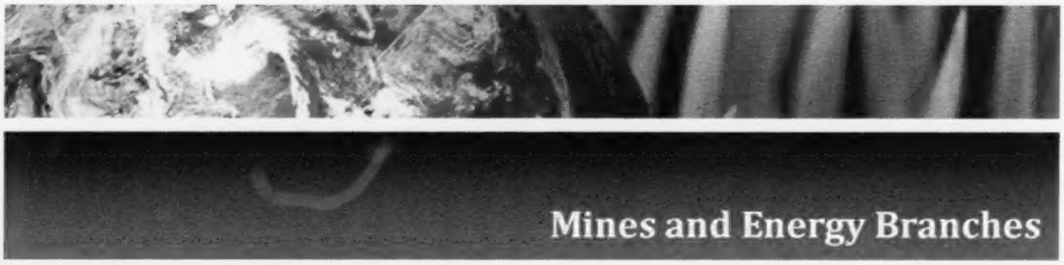


Figure 6 – 2012-13 Expenditures by Division/Section

In addition to these amounts, $251.2 million was spent on energy-related programs and subsidies. For more information on expenditures for the year, refer to Appendix II.



Lines of Business

Resource Policy

Working closely with key stakeholders, the department develops resource policy, and coordinates and facilitates sustainable development and management. In doing so, the department directly and indirectly develops, monitors and/or initiates supporting regulatory and benefits activities.

Resource Management

In the onshore area of the province, the department ensures industries follow appropriate resource management practices and comply with mines and energy regulations. The department facilitates well-planned, responsible resource management activities and is responsible for monitoring almost all aspects of these activities. Mineral and petroleum resource management also includes title allocation, administration and ensuring compliance with site development and rehabilitation requirements[7].

In the offshore area, the department discharges its operational management and administration functions for offshore petroleum activity under a joint federal-provincial regime administered by the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB).

In the electricity sector, the department provides advice and support for government decision-making related to resource management. Other resource management activities are implemented through the Board of Commissioners of Public Utilities and Newfoundland and Labrador Hydro, a subsidiary of Nalcor Energy.

The department is also responsible for petroleum royalty regime development and the administration of onshore and offshore petroleum royalties.

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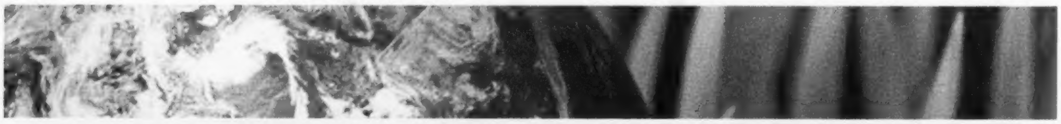
[7] A number of onshore resource management activities are carried out by the Department of Environment and Conservation (e.g., monitoring compliance with environmental regulations and land use management, etc.) and the Department of Government Services (e.g., monitoring compliance with occupational health and safety regulations).



Mines and Energy Branches

Resource Exploration and Assessment

This line of business includes several activities that precede resource development, including the gathering, interpretation and dissemination of geoscience data and the provision of exploration incentives. The activities of the department in this area are designed to support and encourage exploration, investment decisions, permitting and development opportunities.

Promotion and Facilitation of Resource Development

Resource development projects generally tend to be long term and capital intensive and generate significant economic and employment benefits. These projects can be important catalysts of growth, particularly for rural areas, as well as for the development of industrial infrastructure and the province's supply and service capabilities. Activities are specifically directed to negotiating, promoting and facilitating well-planned, responsible mineral and energy development and associated business and employment opportunities.

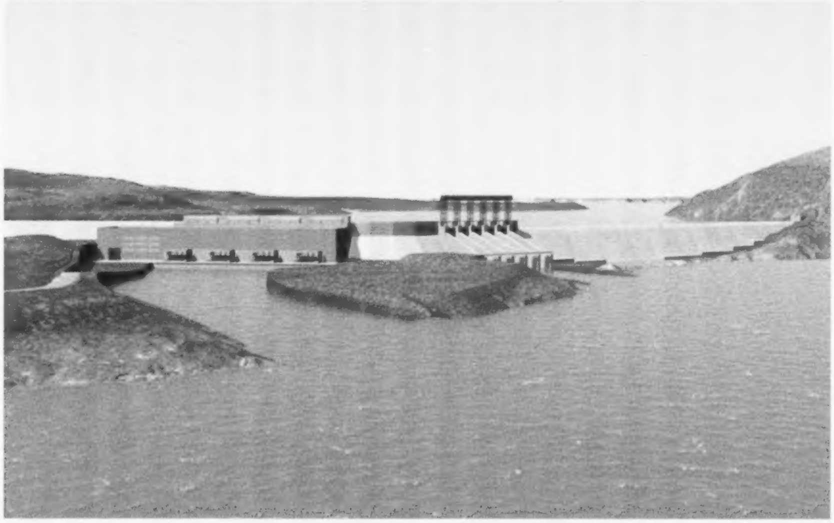
2012-13 Year in Profile

The following section highlights major accomplishments by the department and/or its industry sectors during the 2012-13 fiscal year.

1. Lower Churchill Project

Efforts toward the development of the lower Churchill River have been underway, in earnest, for some time and 2012-13 was a banner year in which Phase I of the Lower Churchill Project was formally sanctioned and construction activities commenced.

Phase I consists of the development of a hydroelectric generation facility at Muskrat Falls as well as the development of a transmission system that will transport power from Labrador to the island (known as the Labrador-Island Transmission Link) and from the island to Nova Scotia (known as the Maritime Link). Nalcor Energy is the operator of the Lower Churchill Project, along with its partner Emera Inc. of Nova Scotia.



Graphic of proposed dam at Muskrat Falls

Photo: Nalcor Energy

Mines and Energy Branches

The Lower Churchill Project will help meet the province's growing demand for energy, including some of the large-scale mining potential in Labrador and other industrial development, and will secure long-term stable electricity rates for residents and business at the lowest cost possible. The project will also establish a link to North America's electricity grid for export opportunities.

The energy produced at Muskrat Falls will be clean, green energy that will help the province reduce its carbon footprint by decreasing its reliance on fossil fuels and will provide an attractive energy source for consumers in eastern Canada and the United States whose demand for clean energy is also on the rise. In addition, Muskrat Falls will generate significant employment and economic benefits for the people of Newfoundland and Labrador. The project will provide 9,100 person-years of direct employment including 5,800 in Labrador. The province will see $1.9 billion in income to labour and business, as well as $320 million in average income benefits per year and $290 million in taxes to the Government of Newfoundland and Labrador.

The following points summarize the major 2012-13 milestones for the project:

- July 31, 2012. Formal agreements were reached between Nalcor Energy and Emera Inc. for the development and transmission of power from Muskrat Falls via the Labrador-Island Transmission Link and the Maritime Link.

- October 30, 2012. The Decision Gate 3 cost estimate for the Muskrat Falls hydroelectric project was released as well as a report by Manitoba Hydro International Limited (MHI). The MHI report confirmed the engineering, costs, and project planning completed by Nalcor Energy, and affirmed Muskrat Falls as the least-cost option for electricity supply to the island.

- November 30, 2012. An agreement on the terms for a federal loan guarantee for the project was announced by the Provincial Government. The loan guarantee is an agreement among the Governments of Newfoundland and Labrador, Canada and Nova Scotia. The Federal Government's loan guarantee will reduce the cost of project debt financing through reduced interest rates which will ultimately help ensure stabilized electricity rates for consumers in the province.

- December 5, 2012. A private member's resolution presented in the House of Assembly in favour of the Muskrat Falls development received support from the majority of members of the legislature.

- December 17, 2012. Official sanction of the Muskrat Falls development was

announced.

- December 22, 2012. Passage of project-enabling legislation, specifically the enactment of the *Muskrat Falls Project Land Use and Expropriation Act* and amendments to the *Electrical Power Control Act, 1994*, the *Energy Corporation Act* and the *Hydro Corporation Act, 2007*.

2. Progress on Major Developments

In 2012-13, ExxonMobil announced the formal sanction of the Hebron Project. The Hebron field, located approximately 350 kilometres southeast of St. John's, contains in excess of 700 million barrels of recoverable oil[8] and will be the province's fifth producing offshore field.

To extract oil from the Hebron field, a concrete gravity based structure (GBS) will be used with a "topsides" deck that includes drilling and production facilities along with crew living quarters. During the year, GBS construction work advanced at the Bull Arm fabrication facility. Two of the three topsides modules will be built in Newfoundland and Labrador with the accommodations module being built at Bull Arm and the drilling support module to be fabricated in Marystown.

The Hebron project is estimated to return approximately $23 billion to the Provincial Government in royalties, return on investment through Nalcor Energy, and corporate income tax. Peak construction employment is estimated at 3,500 persons, and current estimates indicate approximately 22.4 million person-hours of employment will occur in the province as a result of the project.

Vale Underground Mine at Voisey's Bay

The commitment to an underground mine at Voisey's Bay through amendments to the Voisey's Bay Development Agreement was a significant achievement in 2012-13. The underground mine will provide many hundreds of construction jobs after sanction in 2015, and more operations jobs than the current mine after first ore is achieved in 2019. This will extend mine life by about 15 years.

The opportunity to make these improvements to the Development Agreement arose

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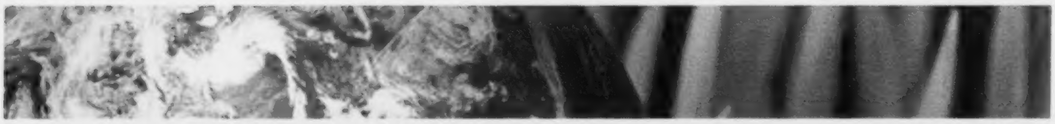
[8] Based on estimates of the Canada-Newfoundland and Labrador Offshore Petroleum Board.



because of the delayed construction schedule at the Long Harbour nickel processing plant. The delay meant that the plant would not be ready to process all of the nickel concentrate from Voisey's Bay until 2015. The Development Agreement was thus amended to provide the operator, Vale, with an additional exemption from primary processing requirements between 2013 and 2015 so that the Voisey's Bay mine can maintain continued operation while construction of the processing plant in Long Harbour is completed. All exempted concentrate will be replaced and processed in Long Harbour in future years.

Included in the amendments were enhanced industrial and employment benefits and additional revenue to the Provincial Government of approximately $100 million over three years.

3. Advancements in Offshore Exploration

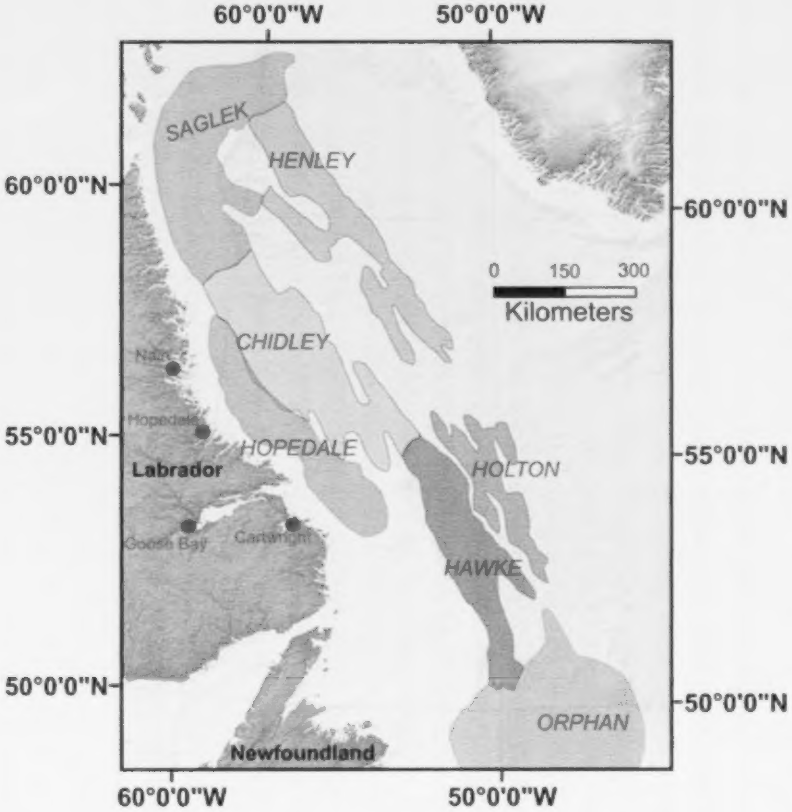
New Discovery in the Flemish Pass Basin

The past year was exciting for offshore exploration with new discoveries announced. In June 2012, Statoil announced that it had found between 100 and 200 million barrels of recoverable oil at its Mizzen discovery in the Flemish Pass Basin, approximately 500 kilometres east-north-east of St. John's. This is the first announced discovery volume since the North Amethyst field, and indicates that there is an active petroleum system outside the Jeanne d'Arc Basin where all the province's producing fields are located. At a water depth of approximately 1,100 metres, this is also the first discovery in the province's deepwater region.

While too early to determine if the Mizzen reserves will be economically viable to develop, the discovery will provide a solid basis for future exploration in Newfoundland and Labrador's offshore.

Discovery of New Offshore Basins

In January 2013, Nalcor Energy announced the discovery of three, new deep-water basins in the Labrador Sea. In addition to the new basins, a fourth formerly established basin was found to be much larger than previously understood. The discovery of these basins has significantly increased the size of the prospective areas in the province's offshore. Nalcor was able to identify these basins as a result of seismic and satellite seep surveys conducted over the past several years. In collaboration with the department and MKI Invest, Nalcor intends to market survey data to oil companies around the world as a means of increasing exploration interest and activity in Newfoundland and Labrador's underexplored offshore.


60°0'0"W
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SAGLEK
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HAWKE
ORPHAN
Nain
Hopedale
Labrador
Goose Bay
Cartwright
Newfoundland
0
150
300
Kilometers

Figure 7 - The new Henley, Chidley and Holton basins, and the redefined Hawke basin (Nalcor Energy)

Outcome of Objectives

This section of the Annual Performance Report details the department's accomplishments related to its 2012-13 objectives as set out in its 2011-14 Strategic Plan.

Issue 1: Market Attraction and Exploration

As shown by the industry overviews provided above, the economy of the province benefits greatly from energy and mining developments. The revenues to the province from these sectors help enable the Provincial Government to invest in social and economic programs such as education, health care, and infrastructure. Continued progress in the resource sector is key to ongoing social and economic development in the province. To keep resource revenues flowing well into the future, new developments will need to come on stream. For that to happen, new, economically viable resources must be found through exploration.

The petroleum and mineral industries are global in scale. Companies operating in these industries assess potential exploration locations around the world based on a number of factors. The most important of these is resource potential, that is, the likelihood - based on scientific evidence - of finding a commercially viable petroleum reserve or mineral deposit. Exploration companies use existing geoscience data to determine the resource prospectivity of potential sites. One of the department's primary goals, therefore, is to increase the amount of geoscience data collected in the province and make it available to prospectors and exploration companies. The department also emphasizes the global promotion of Newfoundland and Labrador as an attractive region for exploration. During 2012-13, the department continued its efforts in these areas through continued geoscience data collection and dissemination, support of exploration and development activities and promotion of the province's resource potential.

The department's 2012-13 achievements in these areas are in direct support of the Provincial Government's strategic direction toward *increased exploration and development of mining and energy resources*. In defining this strategic direction, government identified three primary areas where results should be focused: *acquisition and promotion of geoscience data*, *increased exploration and development activity*, and e*nhanced marketing and promotion of our natural resources*. The department's actions during the year included support for all three focus areas.

Mines and Energy Branches

Goal

By March 31, 2014 the Department of Natural Resources will have advanced the province's ability to compete in the mines and energy sectors.

Objective

By March 31, 2013 the Department of Natural Resources will have initiated implementation of priority recommendations from strategy development.

Measure: Initiated implementation of priority recommendations from strategy development.

Progress toward Objective

For this objective, strategy development refers to internal planning work that identified a number of measures the department would pursue to encourage continued and/or increased exploration. Recommendations emerging from this work included the continuation of efforts to increase geoscience data acquisition and availability as well as the continuation of promotional activities in both the mining and petroleum sectors. While these measures are not new, it is well accepted that they are two of the most important things the department can do to advance this cause. On a more specific note, planning work also recommended steps to further advance the development of the Crown-held Julienne Lake iron ore deposit in western Labrador. As illustrated below, the department was successful during the year in moving all of these initiatives forward.

Underscoring this work was the ongoing facilitation of mineral exploration and mining developments. Effective management of, and support for, active players in the natural resource sectors sends a strong message to industry about the province's regulatory regime and business climate, important factors in attracting new entrants.

Indicator-Specific Progress

1. **Progressed initiatives toward the enhancement of the mineral resource capacity of the province**

Julienne Lake

Over the last several years, the department has been progressing efforts toward the development of the Julienne Lake iron ore deposit in western Labrador. The deposit is located approximately 25 kilometres from Wabush and Labrador City in "exempt mineral land", meaning land where all mining rights are reserved for the Crown.

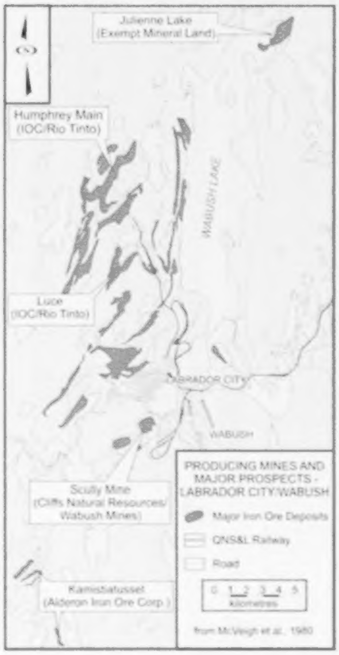

N
Julienne Lake (Exempt Mineral Land)
Humphrey Main (IOC/Rio Tinto)
WABUSH LAKE
Luce (IOC/Rio Tinto)
LABRADOR CITY
WABUSH
Scully Mine (Cliffs Natural Resources/ Wabush Mines)
Kamistiatusset (Alderon Iron Ore Corp.)
PRODUCING MINES AND MAJOR PROSPECTS - LABRADOR CITY/WABUSH
Major Iron Ore Deposits
QNS&L Railway
Road
0 1 2 3 4 5
kilometres
from McVeigh et al., 1980

Figure 8 - *Map showing distribution of iron ore deposits in the Labrador City-Wabush area (adapted from McVeigh et al., 1980)*

In 2009, the Provincial Government started a two-phase work program to assess the potential and market value of the deposit. The result of this assessment work was the definition of a geological resource consisting of over one billion tonnes at better than 33 per cent iron content. The final report, and its associated data, is available on the Department of Natural Resources website at www.nr.gov.nl.ca/. The report concluded that the deposit represents an opportunity to develop a major new mining project.

On October 10, 2012 the department issued an Expression of Interest (EOI), requesting proposals from parties interested in advancing the Julienne Lake deposit into a mine. The deadline for submissions was December 17, 2012. A number of EOI responses were received and evaluated following which invitations to submit detailed proposals were issued. The invitations requested proposals be submitted by May 2013.

Geoscience and Promotions to Industry

The department's work in the area of geoscience data collection, analysis and dissemination also contributed to the enhancement of the mineral resource capacity of the province. Likewise, the continued promotion of the province's mineral potential to prospectors, exploration companies and investors at home and abroad played an important role in these efforts. Specific achievements in these areas are detailed under indicators three and four below.

Facilitation of Ongoing Mineral Development

During the year, the department supported prospective and existing mine operators by providing guidance on regulatory requirements found in the *Mining Act* and by facilitating contacts with other regulating bodies, such as the Department of Environment and Conservation and Service NL's Occupational Health and Safety Branch. This work helped contribute to new mining activity in the province, as well as to the expansion of existing operations.

- In consultation with other regulating parties, the department reviewed and approved Development Plans and Rehabilitation/Closure Plans for three new mines in the province. The *Mining Act* requires that both plans be approved and in place before mining operations can start. The three new mines approved in 2012-13 included: a new copper-zinc open pit mine at Teck's Duck Pond operations in central Newfoundland and the Tata Steel Minerals Canada Timmins 4 and Flemming 7N direct shipping iron ore open pit mines in western Labrador. Reviews were also underway during the year on plans for two other new operations: the Labrador Iron Mines Houston deposits in western Labrador and the reactivation of the St. Lawrence Fluorspar mine.

- The department reviewed and/or approved plan revisions related to current operating mines. A revised Development Plan for Anaconda's Pine Cove gold mine was reviewed and approved and review began on a revised Rehabilitation and Closure Plan for Teck's Duck Pond operations (which will now include the new copper-zinc open pit mine referenced above). The department also issued *Mining Act* approvals for mining-related infrastructure at four mining operations during the year.

- For every *Mining Act* approval, whether for new or existing operations, the department worked with operators to ensure that proper financial assurance was

put in place. Financial assurance is a measure required by the *Mining Act* which ensures that funds are available to leave mining sites in good condition when mining operations cease.

Facilitation of Mineral Exploration Activities

The department also supported mineral exploration activities through the administration of the *Mineral Act* and related mineral rights legislation. During the year, over 10,000 mineral claims were staked by exploration and development companies and prospectors, and recorded by the department. In addition, the department maintained 2,900 individual mineral licenses. In doing so, the department ensured conditions associated with mineral licenses were met, including the submission of 437 assessment reports. The *Mineral Act* requires that annual assessment reports be submitted by individuals and companies performing exploration work and include information on findings during the year complete with maps, analytical results and data submissions. These reports, and associated data, are held in confidence by the department for three years after which time they are made public. The report findings help contribute to the province's geoscience knowledgebase and support continued exploration work.

2. **Advanced geoscience data collection and dissemination in relation to the province's onshore and offshore petroleum resources, including:**
    - **Support for the completion of an offshore Western Newfoundland potential fields survey with data available in the public domain**
    - **Completion and publication of studies conducted under the Petroleum Exploration Enhancement Program**

Offshore Western Newfoundland Potential Fields Survey

An aeromagnetic survey of offshore western Newfoundland and parts of the adjacent onshore area was carried out between June and October 2012, under the Offshore Geoscience Data Program (OGDP), an Energy Plan initiative funded and jointly administered by the department. Project management and publication of the resulting map files were completed by the Geological Survey of Canada (a division of Natural Resources Canada) fulfilling part of a joint geoscience initiative with the department and Nalcor Energy.

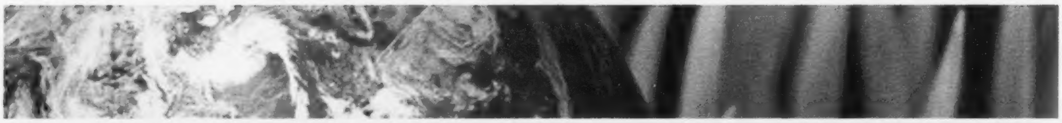
This survey was a continuation of airborne surveys conducted of onshore western Newfoundland in 2009 under the Petroleum Exploration Enhancement Program (PEEP), also an Energy Plan initiative funded and jointly administered by the department. These surveys are helping to bridge the gap in the understanding of the onshore and offshore geology of this part of the province. The results of the 2012-13 survey, in particular, will assist in the geological understanding of a region of offshore western Newfoundland where the distribution of rock types and geological features are difficult to map. The results may be used to identify areas having petroleum potential that may be worthy of follow-up exploration by industry. The maps associated with the offshore survey are available online, free of charge, from the department's Geoscience Online application, as well as from the Natural Resources Canada Geoscience Data Repository, MIRAGE.

Petroleum Exploration Enhancement Program Studies

The Energy Plan provision which established the Petroleum Exploration Enhancement Program included an investment by the department of $5 million. The goal of the program, administered in partnership with Nalcor Energy, was to engage the geoscience community over multiple years in an effort to advance onshore oil and gas exploration in western Newfoundland. The program was announced in 2007 and numerous projects have been funded since that time. By the end of 2012-13, 24 projects had been approved under PEEP. Of these, eight have been fully completed while the remainder are ongoing. Project summaries, as well as findings for completed projects, were posted on the Department of Natural Resources web site during the year.

Support to the Nalcor Investment in Geoscience through the OGDP

The establishment of the OGDP was accompanied by an initial investment by the department of $20 million. Through the program in 2012-13, 7,957 line kilometers and 11,572 line kilometers of high quality, regional 2-D seismic was acquired in the north-east Newfoundland Shelf and offshore Labrador respectively. To date, nearly 30,000 kilometres of modern seismic data has been acquired, making the province's program one of the largest by area globally. In early 2013, Nalcor announced the discovery of three newly defined basins in the Labrador Sea. In addition to the new basins, a fourth formerly established basin was discovered to be much larger than previously understood.



3. Advanced geoscience data collection and dissemination in relation to the province's mineral resources, through continued geoscience field work, data analysis and publication

In 2012-13, the department's Geological Survey allocated more than $2 million to field activities. In line with strategic directions, the majority of field projects were in support of advancing the province's knowledge of mineral resources. In keeping with the department's full mandate, however, the projects also included two studies to promote better understanding of coastal erosion. Field projects were as follows:

Newfoundland (Island)

- Surficial mapping and till geochemistry in central Newfoundland (Noel Paul's Brook to South Brook)
- Aggregate assessment in the Clarenville area
- Gold mineralization studies in central Newfoundland and the White Bay area
- Bedrock mapping in the Port au Port and Bellburns areas of western Newfoundland
- Base-metal study in the Long Lake area of central Newfoundland
- Northeast Newfoundland, monitoring of coastal cliffs vulnerable to erosion

Labrador

- Launch of a study of iron-ore deposits in western Labrador (the first regional scientific study of these deposits since the 1970s)
- Bedrock-mapping in the Seal Lake area
- A reconnaissance sampling program for kimberlite-indicator minerals in western Labrador
- Coastal erosion monitoring studies in southern Labrador

The Geological Survey also released numerous publications during the year, all of which contribute to the understanding of the province's geological make-up and resource potential. All are free for viewing/download from the department's web site. Publications from 2012-13 included:

- Bedrock geology maps of Random Island, Indian River-King's Point, and Saglek Fjord to Hebron Fjord;
- Lake and stream sediment geochemistry from Labrador;
- Till surveys from Newfoundland (island);
- Geological assessment of the Pants Lake Intrusions in Labrador;

- Various field guides associated with the national GAC-MAC meeting held in St. John's during the year; and,
- A major release of airborne geophysical surveys in the Mistastin Batholith and Strange Lake areas of Labrador. These surveys were completed as part of the Geo-mapping for Energy and Minerals (GEM) initiative and the Targeted Geoscience Initiative (TGI-4), directed by the Geological Survey of Canada.

Staff geologist in the field

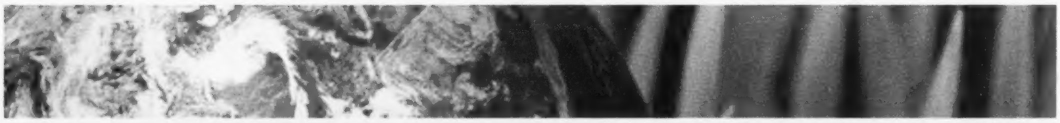
Photo: Department of Natural Resources

The department continued to operate its online resource atlas, Geoscience Online, to publish large volumes of geoscience data for the province on the Internet. Geoscience Online is one of the top online geoscience resources in Canada as a result of continuous improvements and new data postings.

4. Progressed efforts related to the targeted promotion of the province's petroleum and mineral resources, at the local, national and international levels

Petroleum

The department continued promoting the excellent prospectivity of the Newfoundland and Labrador region in 2012-13. Onshore and offshore petroleum opportunities were promoted at four major national and international events sponsored by the Canadian and American Associations of Petroleum Geologists in Canada (Calgary), the United States (Houston and Long Beach) and the United Kingdom (London). The department participated in two key local events, the Western Newfoundland Oil and Gas Symposium and the Newfoundland and Labrador Oil and Gas Industry Association Annual Conference and Exhibition.



These events allowed for promotion of the Canada-Newfoundland and Labrador Offshore Petroleum Board's 2012 offshore licensing round which included land parcels in the Flemish Pass and Laurentian Basin. Total work commitment bids in the amount of $117 million were received by the C-NLOPB on six parcels. This raised industry's outstanding work commitments in the Newfoundland and Labrador offshore area to $1.2 billion.

Mines

The department coordinated logistics and delivered technical promotional initiatives at numerous domestic and international mining conferences and investment forums. Events included the China Mining Conference and Exposition, China-Canada Mineral Investment Forum, China MYSTEEL Iron Investment Conference, Quebec Mines (Quebec City), Exploration Roundup (Vancouver), PDAC (Toronto), Mineral Resources Review (St. John's), as well as the local trade shows Baie Verte Mining Conference, Labrador Expo and Northern Exposure.

International promotions helped maintain record-high exploration expenditures in the province during a period of weak markets. The strengthening of long-term relations with potential investors and raising the profile of the province's mineral sector in Asia, particularly China, contributed to continued investment growth from that region. By coordinating a provincial presence at international events, the department was able to provide junior mining companies with a ready platform from which to launch their targeted investment attraction programs. This contributed to further new investment from that region in 2012-13.

Promotion on the national front helped support new activity in the industry as new option agreements were signed and new explorers became active in the province. Commodity-specific and model-driven project-generation concepts developed as part of the promotions program helped contribute to interest from new and existing players.

Objective, Measure and Indicators for 2013-14

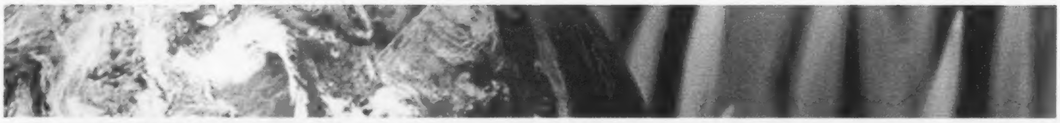
Objective:

By March 31, 2014 the Department of Natural Resources will have increased geoscience and promotional activity to advance the province's ability to compete in the mines and energy sectors.

Measure: Increased geoscience and promotional activity

Indicators

- Advanced efforts toward the development of the Julienne Lake deposit;
- Increased overall the collection and distribution of geoscience data relative to the province's mineral resources;
- Provided support for an overall increase in the acquisition of geoscience data relative to the province's petroleum resources; and,
- Continued promotional activity to potential and existing participants in the province's mines and energy sectors.



Issue 2: Sustainable Resource Development

Sustainable development within the province's petroleum and mineral sectors consists of three primary components: maintaining exploration/development activities; responsible management of developments; and remediation of environmental impacts associated with past developments.

Maintaining Exploration/Development Activities

As discussed under Issue 1, current resource developments and discoveries will eventually need to be replaced through successful exploration in order to sustain the province's mineral and petroleum industries for the long term. While encouraging new exploration is, perhaps, the most important element in sustaining the province's petroleum and mining sectors, ensuring the province has competitive policy and regulatory frameworks is also important. The department's commitments and achievements in this area are consistent with the Provincial Government's strategic direction to e*nsure maximum benefits to the province through the strategic development of our resources*. Long-term sustainability of the province's mineral and petroleum industries is the cornerstone of benefits maximization.

Responsible Management of Development

The department manages development projects through the administration of legislation and regulations designed to guide and govern mineral and petroleum development. In its role as regulator, the department monitors project activity and performance to ensure compliance with legislative and regulatory requirements, as well as contractual requirements specific to individual projects. The department endeavors to work with industry to assist in interpreting and incorporating these requirements into operations early in the lifecycle of a project. The legislative, regulatory and contractual framework covers a range of issues including production methods to maximize resource yield; safety and environmental practices; royalty calculation and remittance mechanisms; and benefits practices in areas such as project employment, expenditures and gender/diversity commitments.

During the year, the department continued to monitor and manage mineral and petroleum exploration and development activity. Efforts included:

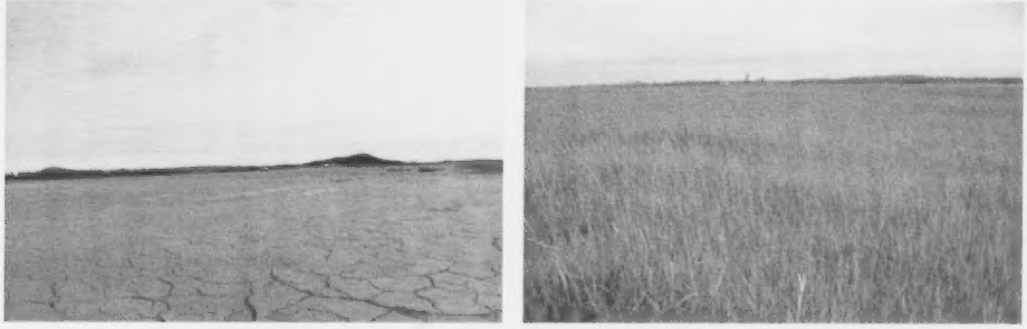
- Progression of negotiations on benefits agreements for new resource development projects.

- Monitoring of benefits associated with existing agreements for ongoing projects.
- Monitoring the royalties paid to the province by its oil industry partners and advancing work on a new Royalties Monitoring System (RMS). The RMS will make royalty calculation and audit work more efficient and position the department for the increased work load associated with the addition of the Hebron project as well as other future oil developments.
- Ongoing monitoring of exploration and development work by the department's engineers, exploration and quarry field inspectors, and other professionals to ensure activities were conducted within the province's legislative and regulatory framework.
- Assisting operators in navigating through regulatory requirements.
- In collaboration with other entities, progression of proposed legislative amendments to the Accord Acts and subordinate legislation related to occupational health and safety (OHS) and overall modernization of the offshore petroleum regime.
- In collaboration with other entities, progression of discussions to restructure the awarding of exploration licenses in the Newfoundland and Labrador offshore area.
- Advancement of Phase 2 of the Energy Innovation Roadmap initiative. The initiative will identify the most attractive opportunities for using innovation to diversify the province's energy industry. In many cases, the opportunities identified will translate into meaningful focus areas for energy-related research and development (R&D) in the province.

Well-regulated industries that are managed responsibly ensure non-renewable resources are developed to their maximum potential and that the province and its citizens benefit as much as possible from the resulting economic spinoffs. These and other efforts during the year are consistent with the Provincial Government's overall strategic direction to *ensure maximum benefits to the province through the strategic development of our resources.* In particular, some of these efforts have been in direct support of three of the focus areas identified under this strategic direction: *supporting increased local industrial and employment benefits, increased participation of women and underrepresented groups in natural resource projects* and *influencing/ informing strategic research and development investments*. The strategic direction toward a *stable and competitive energy supply for domestic use and export to market* was also supported during the year through the department's work on the Energy Innovation Roadmap. Specifically, the focus area of *alternative energy research and development* is reflected in a number of the opportunity areas identified for further study.

Remediation of Environmental Impacts

Current legislation requires the province's mineral and petroleum exploration and development companies to leave resource development sites in good environmental condition once exploration and/or development activities have ceased. This has not always been the case and, in the past, some mining sites were abandoned by operators and left in unacceptable condition. The department is committed to performing rehabilitation work at such former mine sites, and has already completed work at a number of sites including Buchans, Rambler, Whalesback and Baie Verte. During 2012-13, the department continued these efforts with the focus for the year being dam repair work at the former Gullbridge copper mine. Unfortunately, in December 2012 the tailings dam failed while the department's contractors were making repairs to the dam. The department took measures to mitigate effects of the failure including partially repairing the dam to stop tailings from eroding and migrating downstream. In 2013-2014, the department will have consultants study long-term solutions for the tailings facility, perform detailed design and begin construction of the long-term solution.



Buchans tailings area before and after rehabilitation work

Photo: Department of Natural Resources

Mines and Energy Branches

Goal

By March 31, 2014 the Department of Natural Resources will have implemented enhanced sustainable development practices in the mines and energy sectors.

Objective

By March 31, 2013 the Department of Natural Resources will have implemented new policy directives in support of mineral and energy sector sustainability.

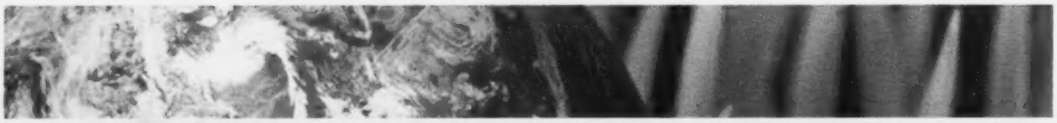
Measure: Implemented new policy directives in support of mineral and energy sector sustainability

Progress toward Objective

In this sense, “policy directives” refer to communications and/or actions which serve to guide industry participants toward the achievement of improved benefits to local citizens and businesses from natural resource development, as well as toward other forms of sector sustainability. A number of the department’s actions during the year represented these types of directives, most notably, the start of benefits negotiations with the operators of new projects. During benefits negotiations, the department works with operators to set expectations and provide guidance in the development of Benefits Plans and Gender Equity and Diversity Plans. The department also advanced its monitoring of industry progress against existing Benefits Agreements and provided feedback, where appropriate, to operators.

Along with partners, the department also provided policy advice in the development of two Energy Innovation Roadmaps and issued Requests for Proposals (RFPs) to help direct and facilitate the development of two more. The opportunities identified through Energy Innovation Roadmaps will help fuel energy-related R&D in the province. The R&D work itself will provide benefits in the short term by way of employment and expenditures in the province but will also contribute to the long-term sustainability of the province’s energy industries.

Also significant during the year was the progression of legislative changes related to the management of offshore petroleum resources. In March 2013 proposed amendments to the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act*, underwent their first reading in the House of Assembly and were



expected to be passed early in the new fiscal year. Along with companion legislation in other jurisdictions, these amendments will create a single, comprehensive OHS regime, including the authority to promulgate OHS regulations.

Indicator-Specific Progress

1. Expansion of benefits monitoring and negotiation processes for mines and energy projects

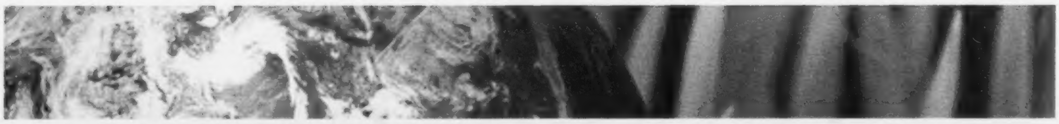
During 2012-13, the department began new benefits negotiations with Alderon Iron Ore Corporation in relation to its Kami iron ore project in Labrador, Emera Inc. on the Maritime Link project (part of the Lower Churchill project) and with Husky Energy on its well head platform project (part of the Whiterose extension project).

In addition, the department advanced benefits monitoring frameworks in relation to a number of projects for which benefits agreements are in place. Those projects include: Tata Steel Minerals Canada's direct shipping ore project, Labrador Iron Mines' James Mine project and the Lower Churchill project.

2. Supported the completion of roadmaps for the priority areas identified under the Energy Innovation Roadmap initiative

As a result of a public Request for Proposals issued by the department in 2011-12, a contract for the development of two Energy Innovation Roadmaps covering Onshore Wind in Harsh Environments and Energy Transmission was awarded in May, 2012 to Hatch Ltd., an engineering consulting firm. These Roadmaps were completed in March, 2013. In addition to issuing the RFPs, the department supported this process by chairing a committee of officials from the department, the Research and Development Corporation and Nalcor to evaluate proposals, providing funds for the contract, and chairing a steering committee which guided, monitored and managed the project.

In August, 2012 the department issued RFPs for two other roadmaps on the topics of Deepwater Exploration and Production Technologies in Harsh Environments and Remote Energy Systems. These RFPs have since been put on hold due to budgetary restrictions.



3. Conducted consultations and completed final draft of departmental gender equity and diversity policy

As planned, consultations on the gender equity and diversity policy were conducted with government entities including the Women's Policy Office, the Disability Policy Office, the Office of Immigration and Multiculturalism and the Intergovernmental and Aboriginal Affairs Secretariat. Comments received during these consultations were incorporated, as appropriate, and a final draft of the policy was completed.

Objective, Measure and Indicators for 2013-14

Objective:

By March 31, 2014 the Department of Natural Resources will have continued progress toward the long-term sustainability of the mineral and energy sectors.

Measure: Continued progress toward the long-term sustainability of the mineral and energy sectors

Indicators

- Continued to invest in remediation work at orphaned and abandoned mines with primary focus on the highest-priority sites;
- Expanded benefits monitoring processes to meet the requirements found in new benefits agreements;
- Finalized legislative amendments to the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act* to incorporate an occupational health and safety regime;
- Progressed negotiations with Natural Resources Canada and the Nova Scotia Department of Energy on proposed legislative amendments to the Accord Acts and subordinate legislation to modernize the offshore petroleum regime including strengthening of the offshore liability requirements;
- Progressed discussions with Natural Resources Canada and the C-NLOPB to design a new process to award exploration licenses.

Issue 3: Renewable Energy

Nations, organizations and individuals around the world are striving to reduce their greenhouse gas emissions and, to do so, are seeking new sources of renewable, green energy. This increasing demand for renewable energy, coupled with the province's own energy needs contributed to the decision to develop the hydro assets of the lower Churchill River (Lower Churchill). The development of the Lower Churchill is the most stable, least-cost energy supply for the future needs of the province. During the year, the department worked closely with Nalcor on measures to advance the project.

The past year has been one of major milestones for Phase I of the project. The Muskrat Falls generation component of the project was released from environmental assessment, formal agreements were signed by Nalcor and Emera Inc. on their partnership, a Federal loan guarantee agreement was reached which will reduce interest rates on project borrowing costs, and project-enabling legislation was passed. After many years of analysis, study, engineering and planning, a formal project sanction decision was reached and project construction began. The department worked closely with Nalcor and other project stakeholders towards the achievement of these milestones and played a direct role in related legislative initiatives.

While the Lower Churchill Project is the main focus among renewable energy initiatives, the department also continues to explore opportunities in other renewable energy areas. During the year, the department continued to provide support for alternative energy studies in coastal Labrador. These studies, being conducted by Hydro, are focused on identifying small-hydro and wind energy opportunities for isolated communities now dependent on diesel fuel.

The department's efforts during the year have been in support of the Provincial Government's strategic direction of *responsible resource development*, with direct relevance to the focus area *development of clean renewable energy through the Lower Churchill Project*. The strategic direction of a *stable and competitive energy supply for domestic use and export to market* has also been supported. Three of the focus areas related to this strategic direction were reflected in the department's work, namely: *alternative energy research and development; advancement of renewable energy projects and related infrastructure;* and *export of surplus energy*.

Mines and Energy Branches

Goal

By March 31, 2014 the Department of Natural Resources will have enhanced legislation and/or policy necessary to advance renewable energy in the province.

Objective

By March 31, 2013 the Department of Natural Resources will have advanced priorities related to hydro and electricity development in the province.

Measure: Advanced priorities related to hydro and electricity development in the province

Progress toward Objective

As outlined above, Phase I of the Lower Churchill Project was sanctioned and construction work began in 2012-13. The department played a direct role in the development of project-enabling legislation passed during the year and provided support and oversight on a number of fronts, including the negotiation of the Federal Loan Guarantee and the development of formal agreements between Nalcor and Emera, as well as Nalcor and Hydro, in support of project development. In addition, the department also continued to provide support for alternative energy studies on the Labrador coast. More information is provided below on all of these points.

Indicator-Specific Progress

1. Continued support of alternative energy studies on the Labrador coast

As a result of funding provided by the department, Newfoundland and Labrador Hydro continued two multi-year alternative energy studies on the Labrador coast in 2012-13. One is a Small Hydro Pre-feasibility Study and the other is a Coastal Labrador Wind Assessment. Both studies began in 2011-12 and, together, represent Phase 2 of a larger initiative to study opportunities for renewable power in the region.

2. **Completed planned 2012-13 components necessary to advance Lower Churchill project milestones including:**

- **Advancement of legislation and regulation that may be required in support of the project**

Together with the Department of Justice the department drafted enabling legislation for the Muskrat Falls project. The legislation was passed in the House of Assembly in December 2012 and consisted of:

- Bill 60 which is the *Muskrat Falls Project Land Use and Expropriation Act*. This legislation establishes a lands-related Act to govern the acquisition of land and land interests that are necessary for the Muskrat Falls Project. Work is ongoing with the departments of Justice, Environment and Conservation (Crown Lands), Transportation and Works, Municipal Affairs, as well as Legislative Counsel, related to expropriation, municipal permitting and taxation issues.

- Bill 61 which included amendments to the Energy Corporation Act, the Hydro Corporation Act, 2007 and the Electrical Power Control Act, 1994. These amendments were designed to accomplish three primary goals:
  - Facilitate project financing and protection of non-project assets;
  - Granting of exclusive, wholesale electricity supply rights to Newfoundland and Labrador Hydro and protection of ratepayers from any unnecessary costs; and,
  - Provision for Crown equity payments and sufficient borrowing limits for Nalcor.

- **Participation in negotiations regarding the Federal Government's loan guarantee**

Along with other officials from the Provincial Government, the Government of Nova Scotia, Nalcor Energy and Emera Inc., the department participated in negotiations with the Federal Government on a loan guarantee for the Muskrat Falls, Labrador-Island Link and Maritime Link projects. On November 30, 2012, a Federal Loan Guarantee term sheet agreement was signed by all parties. The purpose of the Federal Loan Guarantee will be to reduce the cost of debt borrowing for the projects through reduced interest rates.

Subsequent discussions have been ongoing amongst the parties to complete the requirements cited in the Federal Loan Guarantee term sheet in order to achieve "financial close" for the project.

- **Work with Nalcor towards advancement of the Emera and NLH agreements**

  Along with other officials from the Provincial Government, the department monitored negotiations between Nalcor Energy and Emera Inc. on the development and transmission of hydroelectric power from Muskrat Falls. On July 31, 2012, Nalcor and Emera signed 13 agreements covering the parties' commitments to invest in, develop and operate the Muskrat Falls generation facility, the Labrador-Island Link and the Maritime Link. The agreements also provide the Nova Scotia block of power to Emera and provide transmission rights to Nalcor in the Maritimes and into the New England market. Work has been ongoing between Nalcor Energy and Emera to amend these agreements in line with the Federal Loan Guarantee term sheet.

  Along with the Department of Justice the department participated in the development of formal agreements between Nalcor Energy and Newfoundland and Labrador Hydro. These agreements will support the development of Muskrat Falls and the Labrador-Island Transmission Link and will enable Hydro to purchase power generated at the Muskrat Falls facility for transmission, distribution and sale to electricity customers in the province. At year end, this development work was ongoing.

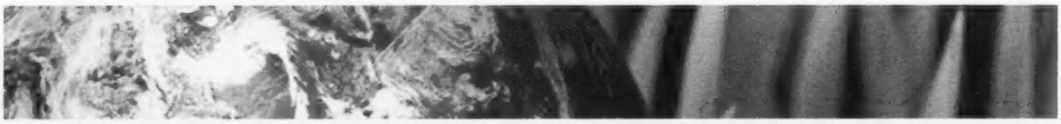
- **Support for activities related to the legislative debate on Muskrat Falls, scheduled for Fall 2012**

  A significant amount of information was required to inform the legislative debate on the Muskrat Falls project. In preparation, officials in the department completed a number of in-house studies, engaged consultants to undertake independent project-related studies, and prepared various briefing and communications materials.

- **Engagement with Nalcor on project sanction decision**

The department worked with Nalcor and other stakeholders in reaching the project sanction decision. Numerous factors were considered in the final decision including: Decision Gate 3 project analysis, electricity supply alternatives, project-related studies, discussions with Emera Inc., Innu agreements, project environmental assessment results and the Federal Loan Guarantee term sheet. The sanction decision for the Muskrat Falls and Labrador-Island Link projects was reached and announced in December 2012.

Muskrat Falls Photo: Nalcor Energy



Objective, Measure and Indicators for 2013-14

Objective:

By March 31, 2014 the Department of Natural Resources will have ensured progression of the Lower Churchill project and initiated development of a provincial wind policy.

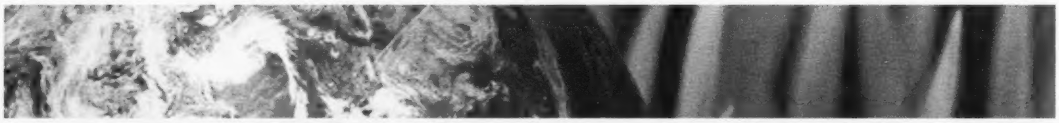
Measure: Ensured progression of the Lower Churchill project and initiated development of a provincial wind policy

Indicators

- Completed planned 2013-14 components necessary to advance Lower Churchill project milestones including:
    - Advancement of legislation and regulations that may be required in support of the project;
    - Participation in efforts to ensure the requirements of the Federal Loan Guarantee term sheet are met; and,
    - Continue to participate in the development of formal agreements between Nalcor and Hydro;
- Advanced the implementation of the Labrador Industrial Electricity Rates Policy

Note on Wind Policy Development

Based on recent developments the department has decided to delay the development of a provincial wind policy. Hydroelectric power from Muskrat Falls will meet the province's needs for renewable energy, meaning that other sources of renewable power will not be required domestically in the near to medium term. The new transmission connections to mainland Canada and the northeastern United States will likely open up greater opportunities for the export of both hydro and wind power, and potential for wind exports will be evaluated as the Muskrat Falls project nears completion. As well, the department continues to support the study of alternative and renewable electricity supply options (wind and hydro) to displace existing diesel generation in off-grid coastal Labrador communities.



Issue 4: Outreach for Growth

Effective communication with stakeholders is an integral part of successful industry growth and development. Public knowledge and perceptions of the mining and energy sectors are important factors as the province works to increase development. Better public/community understanding of these and other matters will lead to more informed decisions on participation in resource development projects. With several major projects on the horizon, greater public knowledge about future developments will also help increase interest in careers in the mineral and energy industries. Communicating information about future developments and employment/business opportunities will support increased local community participation in resource development and better enable communities to prepare for economic opportunities associated with resource development.

By placing emphasis on communicating with the public, communities and other stakeholders, the department itself will also become better informed about needs, concerns, opportunities and priorities in the area of natural resource development. A broad understanding of community interests, as well as industry-specific issues, will enhance the department's ability to carry out its planning, regulatory and administrative responsibilities.

Toward this end, in 2012-13, the department drafted a departmental outreach strategy. The strategy identifies the department's intentions to help inform citizens about the origin of the province's natural resources, their application on our daily lives, the benefits associated with resource development, the role and value of public geoscience initiatives, and the measures in place within government to ensure development is undertaken responsibly.

The department's efforts in this area are in support of the Provincial Government's strategic direction toward *responsible resource development* with particular relevance to the focus area *activities to support Social License*[9] *through adequate stakeholder consultation.*

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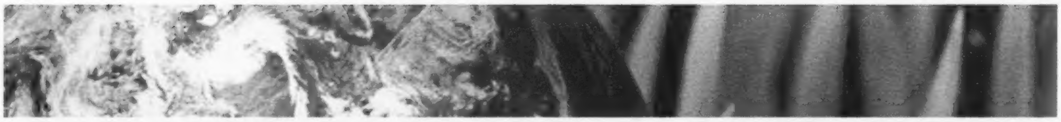
[9] Social License can be defined as a level of acceptance granted by the community, including Aboriginal groups. It is rooted in the beliefs, perceptions and opinions held by the local population and other stakeholders about a project.



Goal

By March 31, 2014 the Department of Natural Resources will have advanced outreach practices to support industry growth.

Objective

By March 31, 2013 the Department of Natural Resources will have developed a comprehensive departmental outreach strategy.

Measure: Developed a comprehensive departmental outreach strategy

Progress toward Objective

During the year, the department developed an outreach strategy that covers all of the elements noted above. The strategy recognizes the world-class significance and quality of Newfoundland and Labrador's mineral and energy resources, the manner in which they benefit the province, and the importance of empowering our citizens with knowledge on relevant topics related to their development. The strategy outlines goals, objectives and target actions to be carried out over multiple years within the department's existing resource capacity.

Indicator-Specific Progress

1. Developed Outreach Strategy

A committee was put in place to oversee strategy development and internal consultations were conducted to define strategy parameters. Consultations also helped identify possible outreach actions and areas where information sharing tools could be developed. By year-end, development was complete and the strategy was under review by departmental executive.

Mines and Energy Branches

Objective, Measure and Indicators for 2013-14

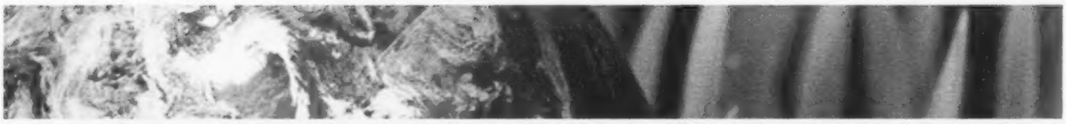
Objective:

By March 31, 2014 the Department of Natural Resources will have implemented priority recommendations of the departmental outreach strategy in support of industry growth.

Measure: Implemented priority recommendations

Indicators

- Developed an implementation plan and schedule for actions identified in the strategy;
- Initiated implementation of priority actions, with particular focus on messages and tools that will improve the knowledge of students and youth.



Strategic Directions

There was significant progress during the past year toward the achievement of the department's strategic directions as communicated in its 2011-14 Strategic Plan. While specific accomplishments are outlined in detail in the previous sections of this report, this section summarizes the alignment of these accomplishments with each of the strategic directions. For ease of reference, this section makes specific note of achievements reported under the four issue areas.

Strategic Direction: Resource Exploration and Development

Continued resource exploration and development is critical in order to sustain economic benefits to the province associated with the mines and energy sectors. As such, the department selected *Market Attraction and Exploration* as Issue 1. The objective and indicators under this issue area are all focused on encouraging increased mineral and petroleum exploration and development in the province. Achievements in 2012-13 included efforts toward the acquisition and dissemination of new geoscience data, the promotion of the province as an ideal place to explore and develop and the facilitation of ongoing exploration initiatives as well as new commercial developments.

Strategic Direction: Responsible Resource Development

The strategic direction "responsible resource development" includes focus areas related to the development of clean, renewable energy through the Lower Churchill Project and the pursuit of activities that support social license through adequate stakeholder consultation. In line with this direction, the department selected *Renewable Energy* as Issue 3. The objective and indicators associated with this issue are focused on advancing renewable energy in the province, with considerable focus on the Lower Churchill project. During the year the department continued work with Nalcor and other stakeholders on the advancement of Phase I of the Lower Churchill project. The department identified *Outreach for Growth* as Issue 4. This issue focused, in part, on sharing information with the public and stakeholder groups about the mines and energy sectors as a whole, as well as specific projects/initiatives of special interest to communities. As planned, in 2012-13 the department drafted an outreach strategy.

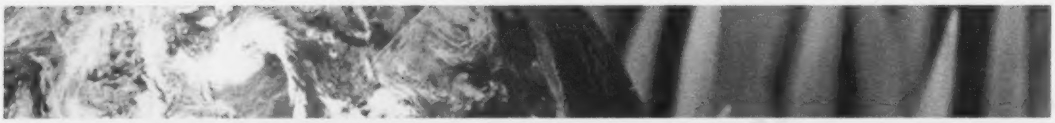
Mines and Energy Branches

Strategic Direction: Strategic Resource Development

This direction is focused on the maximization of benefits to the province through the strategic development of mineral and energy resources. Issue 2, *Sustainable Resource Development*, is heavily focused on benefits maximization with the 2012-13 objective and indicators dedicated to efforts such as enhancing benefits and gender equity policies. Issue 2 also includes support for the completion and initial implementation of the Energy Innovation Roadmap initiative which will identify the most promising areas for innovation in the province's energy sector. Issue 2 has a significant regulatory development component as well and work progressed significantly on proposed amendments to the Accord Acts to create a single comprehensive occupational health and safety regime, as well as modernizing the offshore petroleum regime including strengthening of the offshore liability requirements.

Strategic Direction: Stable and Competitive Energy Supply

This strategic direction is focused primarily on alternative energy, electricity rates and the export of surplus energy. The department's strategic plan addresses these focus areas under Issue 3, *Renewable Energy*, which identifies initiatives related to the Lower Churchill Project as discussed above. Specific achievements during the year included work towards advancement of the Lower Churchill project, as well as continued support for the study of alternative energy solutions for remote Labrador coastal communities, now reliant on diesel power generation. Also of note was the approval of the Labrador Industrial Electricity Rate Policy in late 2012 and the start of implementation in early 2013.



Additional Highlights and Accomplishments

1. New Policy Introduced to Ensure Competitive Electricity Rate for Industrial Customers in Labrador

A series of legislative amendments were introduced in the House of Assembly on December 11, 2012 that will help ensure a transparent and fair rate for all industrial customers in Labrador and assist in keeping the rate competitive with other Canadian jurisdictions. Amendments to the *Electrical Power Control Act, 1994* (EPCA), and the *Churchill Falls (Labrador) Corporation Limited (Lease) Act, 1961*, (CFLCo Lease Act) will allow for the implementation of the electricity rate policy for industrial customers on Labrador's Interconnected System.

In contrast to the rest of the country, there has been no published industrial electricity rate for Labrador, which provides challenges for companies interested in development opportunities. Companies require a degree of certainty on power rates and availability when it comes to making decisions to invest. This new policy will introduce one rate for all Labrador interconnected industrial customers, and allow for better planning for industry and potential developments, while establishing competitive and fair rates.

Throughout consultations with existing and prospective industrial customers during the summer of 2011 to the spring of 2012, concerns were raised about the rate staying competitive with Quebec and other jurisdictions. The new industrial rate policy was developed based on guidelines established in the Energy Plan, meeting the central principles that the industrial rate should promote viable industrial development and also consider market value for energy resources. This policy will place our industrial rate among the lowest in the country, which will help advance the tremendous interest we are currently seeing in mining developments in Labrador.

Implementation of the new electricity rate policy began in early 2013 and will be complete by January 2015. It will establish a single published electricity rate, including both generation and transmission, for all industrial customers on the Labrador Interconnected System. The new industrial rate will be recalculated annually and will be reviewed in terms of its competitiveness with other jurisdictions.

2. Motion Passed for Creation of an East-West Electricity Corridor

In the Energy Plan, the Provincial Government made a commitment to work with other governments and industry to establish an effective national electricity transmission system, and pursue appropriate transmission access to the national electricity grids in both Canada and the United States.

Toward this end, a resolution to encourage all governments in Canada to explore opportunities for an East-West electricity transmission corridor was passed in the House of Assembly on June 6, 2012.

Creation of an East-West electricity grid would support increased electricity trade within Canada and the United States. The resolution highlighted some of the proposed benefits including: increasing access to large and small scale renewable electricity sources across the country; reducing emissions and reliance on fuel generation; enhancing the country's electricity infrastructure and generating significant capital investment; facilitating interprovincial trade and transmission of power; and, increasing reliability and security of power supply. An East-West corridor would help to unlock Newfoundland and Labrador's vast supply of clean renewable power sources such as the Lower Churchill Project by linking Newfoundland and Labrador to jurisdictions with a growing demand for sources of reliable electricity. As such, this motion in the province's legislature both reaffirmed and supported the department's strategic direction toward a stable and competitive energy supply for domestic use and export to market.

Shared Commitments

The Department of Natural Resources has legislative oversight for the following public bodies related to the mines and energy sectors:

- Nalcor Energy and its subsidiaries including Hydro, Nalcor Energy – Oil and Gas, Churchill Falls (Labrador) Corporation, Twin Falls Power Corporation, Lower Churchill Development Corporation, Gull Island Power Corporation and Bull Arm Fabrication Site; and,
- the Mineral Rights Adjudication Board.

The department shares management of offshore petroleum resources with the Federal Government and participates in management efforts through the C-NLOPB.

The department works closely with the Department of Environment and Conservation on issues of land use and responsible resource development, the Department of Finance on matters related to the forecasting and monitoring of royalties from offshore oil developments and other departments on numerous other issues core to its mandate.

During the year, the department worked closely with each of these public bodies to advance the strategic directions of government as they pertain to natural resources.

Opportunities and Challenges

Opportunities

Strong Mining Sector

Over the past several years, the mining sector in Newfoundland and Labrador has been more prosperous than ever before and indications are that it will continue to present opportunities for industry, individuals and the province in the years to come. A new iron ore mine, operated by Tata Steel Minerals Canada, came on stream in Labrador during 2012-13 and sector-related employment remained high. The announcement of Vale's intention to expand its Voisey's Bay operations to include an underground mine – perhaps the highlight of the year - signals continued confidence by industry and success of the sector overall. The nature of mining activity contributes to employment and project spending in rural areas where economic stimulus is needed most. As such, the mining sector presents an exciting opportunity for the department to help facilitate continued employment and other economic benefits throughout the province.

Petroleum Potential

Over 3.1 billion barrels of oil and 11 trillion cubic feet of natural gas have been discovered in the province to date and it is estimated that an additional 6 billon barrels of oil and 60 trillion cubic feet of natural gas remain either undiscovered or undeveloped. The royalties flowing to the province from current offshore developments have been a major factor in the province's economic growth over the last several years. With the magnitude and prospectivity of the province's undiscovered reserves, there is strong potential that there are other commercially viable discoveries to be made. In 2012-13, the Mizzen discovery by Statoil and the identification of three new offshore basins by Nalcor add mounting evidence of the region's prospectivity. Continuing with efforts to encourage both existing and new players to explore for new oil reserves remains one of the greatest priorities and focus areas for the department.

Challenges

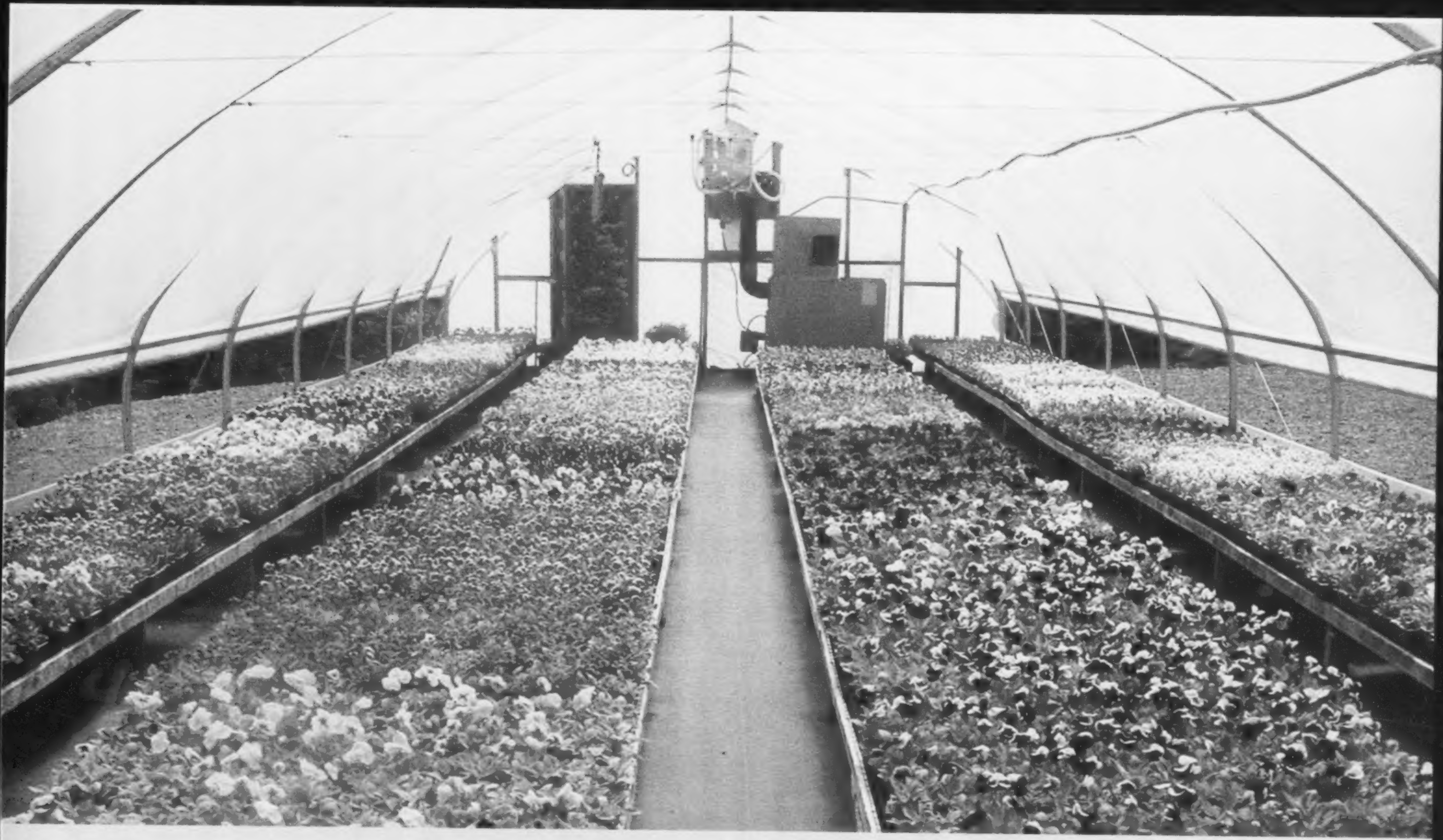
Keeping Pace with Industry

The Department of Natural Resources interfaces with resource industries that are global in scale. In order to provide the expected returns to investors and shareholders, resource development companies are on the leading edge of technology in terms of exploration and development techniques, data/financial analysis, etc. They are also able use their returns to retain skilled professionals with attractive compensation and benefits packages. It is important for the department to keep pace with industry, to the greatest extent possible, in order to be proficient in carrying out its regulatory function, and to continue gathering and analyzing information on resource potential to ensure exploration work continues in the province. The department continuously looks for creative ways to attract and retain talented professionals and to advance technological capacities within the fiscal limitations of a public sector organization.

The department is also challenged to keep pace with other jurisdictions around the world vying for exploration and development activities and investments. Oil and minerals will yield the same price on world markets regardless of where they are produced, and resource companies are careful to find the most beneficial jurisdictions in which to conduct business. The department will continue to compete with other resource-rich jurisdictions by promoting Newfoundland and Labrador as an attractive destination with strong resource potential and a business-friendly environment.

Maintaining Momentum

One of the department's primary focus areas is to keep the province's resource industries moving ahead, to keep new discoveries coming, and to maximize the benefits that arise from the resulting development projects/operations. While the department makes every effort to promote the province's resource potential and support continued exploration and development, many factors that influence continued industry activity are out of the department's control. World commodity prices are, perhaps, the biggest of these factors. Prices dictate the commodities for which companies want to explore and produce, based on anticipated profitability. The challenge for the department in this regard is to keep abreast of industry conditions and make timely adjustments to the strategies and tactics it uses to help keep the mineral and petroleum sectors moving in a positive direction.



Forestry and Agrifoods Agency

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Top and bottom: Department of Natural Resources

Forestry and Agrifoods Agency

Introduction

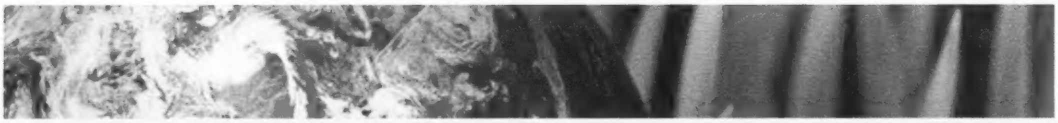
The Annual Performance Report 2012-13 provides a synopsis of the tremendous work of the Forestry and Agrifoods Agency (the agency) over this past fiscal year. The staff has been instrumental in providing programs and services to our forestry and agriculture and agrifoods sectors throughout many regions of Newfoundland and Labrador.

The agency has invested in and promoted economic development opportunities to create greater benefits in our sectors throughout the province. Ensuring that our renewable forestry and agrifoods resources continue for future generations has also been a priority for the agency.

To fulfill the mandate of the agency, $59 million was spent in the 2012-13 fiscal year. These expenditures focused on programs and services to support opportunities that provided economic and employment benefits throughout the province.

Collaborations with other stakeholders have played a pivotal role in our success. The Centre for Forest Science and Innovation have partnered with several others to enhance our forest research capacity. As well, in partnering with Agriculture and Agri-Food Canada, the agency has been able to bring more funds to assist our agriculture industry to diversify and grow to even greater levels through the Growing Forward Program and the Agriculture Research Initiative.

The Forestry and Agrifoods Agency supports economic development, resource sustainability, innovation and diversification that increase opportunities for our forestry and agriculture and agrifoods sectors.



Forestry and Agrifoods Agency

Overview of the Agency

The Forestry and Agrifoods Agency was established under the *Executive Council Act.* It is a category one public body under the *Transparency and Accountability Act.*

The legislation administered by the agency is provided in Appendix I.

Vision

The vision of the Department of Natural Resources is a province that realizes the full benefit from the sustainable development of its natural resources.

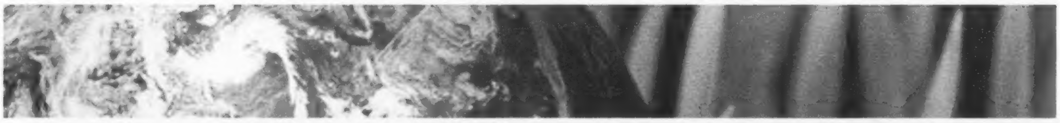
Mission Statement

By March 31, 2017, the Forestry and Agrifoods Agency will have supported programs and services to strengthen and sustain forestry, agriculture and agrifoods industry development in an innovative and economically beneficial manner.

Mandate

The mandate of the Forestry and Agrifoods Agency includes the supervision, control and direction of all matters relating to:

- forest resources and utilization (control and direction of cutting, classifying, measuring, manufacturing and inspection of trees and timber products), constructing and maintaining forest access roads, forest protection from fire and insects, silviculture, inventory, conservation, management, preparation of management plans, analysis, mapping and developing of forest resources;
- enforcement and compliance responsibility in the areas of forestry and assisting in enforcement in the areas of motorized snow vehicle and all-terrain vehicle usage;
- agriculture, including, without limitation of the word "agriculture," agrifoods, agronomy, horticulture, animal husbandry, aviculture, the development of forage production and the growing of hay and the products of agriculture, including, without limitation of the word "products," animals, meats, fur, eggs, poultry, wool, dairy products, berries, grains, seeds, fruit, including wild fruit, fruit products,



vegetables and vegetable products;
- animal health;
- food technology and marketing; and
- agricultural land and the sustainable utilization, protection, conservation, management, surveying, mapping and development of agricultural land.

For a complete list of all legislative responsibilities that inform the agency's mandate, please refer to Appendix I and/or the House of Assembly website: http://www.assembly.nl.ca/Legislation/sr/NaturalResources.htm.

The agency's responsibilities for supporting natural resource development in the forestry, agriculture and agrifoods sectors are provided through the Forestry Services Branch and the Agrifoods Development Branch. The Policy and Planning Division provides policy support and coordination for both branches within the agency.

Forestry Services Branch

The Forestry Services Branch is responsible for managing and regulating the forest resources of the province. Programs and services are provided through the following divisions within the branch: Forest Ecosystem Management, Forest Engineering and Industry Services, Legislation and Compliance and the Centre for Forest Science and Innovation. District offices operate within three regions – Eastern, Western and Labrador.

Agrifoods Development Branch

The Agrifoods Development Branch is responsible for promoting the continued development, expansion and diversification of competitive and sustainable primary and value-added agriculture and agrifoods businesses. Programs and services are provided through the following divisions within the branch: Agriculture Business Development, Animal Health, Land Resource Stewardship and Production and Market Development.

Employees

As of March 31, 2013, the Forestry and Agrifoods Agency had 362 staff on payroll. Employees with the agency work in offices located in St.John's, Corner Brook and in district offices and units located throughout the province.

The table below provides the breakdown of staff in each branch.

Branch	Female	Male	Total
Forestry Services	57	190	247
Agrifoods Development	64	51	115
Total[1]	**121**	**241**	**362**

[1] This figure does not include: the entire staff complement of seasonal employees employed in the Forestry Services Branch (majority male), employees in communications and ministerial support shared with the Mines and Energy Branches and employees with corporate services shared with other departments.

Physical Location

The Forestry and Agrifoods Agency's headquarters is located at the Fortis Building in Corner Brook. The mailing address is as follows:

Fortis Building
P.O. Box 2006
Corner Brook, NL   A2H 6J8

In addition to headquarters, the agency has offices located throughout many regions of the province. A detailed listing can be located on the Department of Natural Resources web site, www.gov.nl.ca/nr under the contact listings for the Forestry Services Branch and the Agrifoods Development Branch.

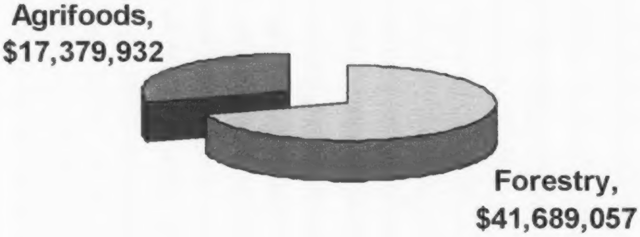
Website

The Department of Natural Resources web site address is www.gov.nl.ca/nr. A link to the department's web site is also provided in the main web site for the Government of Newfoundland and Labrador at www.gov.nl.ca.

Budget

Expenditures for the Forestry and Agrifoods Agency in fiscal year 2012-13 totaled $59,068,989 million this figure does not include $24,008,668 related to executive and support services which are shared with the Mines and Energy Branches. The following chart provides a breakdown of expenditures by branch. See Appendix II for additional details.

2012-13 Expenditures by Branch



Lines of Business

Enforcement and Compliance of Legislated Requirements

The agency's responsibility for enforcement as a tool in forestry management is delivered through the Regional Services structure. In this capacity over 100 Conservation Officers are located at various regional/district offices across the province. In addition to enforcing forestry regulations under the *Forestry Act/Regulations*, Conservation Officers are authorized to enforce provisions of the *Plant Protection Act, Motorized Snow Vehicles and All-Terrain Vehicles Act/Regulations* and certain sections of the *Wilderness and Ecological Reserves Act/Regulations*. The agency actively collaborates with other government departments and agencies on enforcement activities. The agency is responsible for monitoring timber harvesting operations as well as patrolling forest areas for compliance with the regulations under the various acts.

The Legislation and Compliance Division is located at headquarters in Corner Brook. In addition to providing support for enforcement and compliance related activities in regions and districts, this division manages: Environmental Management System coordination; policy development implementation, analysis, and review; special investigations; coordination of training and certification for enforcement related duties including use of force; and enforcement equipment inventory and distribution.

Licensing and Permitting

The agency's regional and district offices issue licenses and permits for: commercial or domestic timber cutting, commercial or domestic sawmilling, burning, operating during the fire season, timber export, the purchase of timber, protection of livestock from wild animals, bear protection, replacement of a big game license, removal of nuisance animals, game export, temporary outdoor identification cards, possession for taxidermy, transport of firearms, and fur bearer export.

Regional Services

The policy and programs associated with sustainable forest management, health and services are implemented through a regional/district structure. Regional Services is responsible for the delivery of the silviculture, resource roads, forest fire suppression, and enforcement/compliance programs. In addition, Regional Services is responsible for

public awareness programs (presentations to schools, service clubs, etc,) addressing public concerns on other forest resource management issues and the development of district sustainable forest management plans.

Sustainable Forest Management

The agency works to ensure a balance between environmental, economic and social values, while having forest ecosystems that provide viable populations of native species, a sustainable forest economy and associated employment. Through the agency's headquarters in Corner Brook, and offices in St. John's, the agency is responsible for policy, legislation, programs and forest management planning that enable the citizens of the province to benefit from the services that the ecosystems provide while ensuring their sustainability and health.

The agency's forest programs include silviculture, resource roads construction, forest inventory, forest fire suppression, forest insect control, forest management planning, enforcement/compliance, wood measurement and timber royalty, and industry development.

Furthermore, the Centre of Forest Science and Innovation is responsible for the development of forest-related research programs and science capacity in the province consistent with themes of the Provincial Sustainable Forest Management Strategy and other guiding documents.

Research themes under the ecological direction of the Provincial Forest Research Strategy include forest disturbance, climate change, ecosystem dynamics, biodiversity and water. Economic themes are grouped under innovation, industry and markets while social themes include forest based communities, aboriginal participation and forest values.

Animal Health

The agency's animal health services consist of: farm animal veterinary services; supportive laboratory analyses for diagnostic and regulatory programs through the ISO 17025 accredited Animal Health Laboratory; control of food quality at the production or primary processing level under the *Food and Drug Act* (raw milk) and *Meat Inspection Act* (slaughterhouses); monitoring and control of specific animal diseases of either economic interest to the livestock industry or of public health interest to the provincial

community under the proposed new *Animal Health and Protection Act*; the oversight, monitoring and support of investigations of cruelty to animals complaints (new *Animal Health and Protection Act*); assistance to wildlife/conservation officials; promotion and control of Heritage Animals (Newfoundland Ponies) under the new *Animal Health and Protection Act*.

Business Development Services

The agency delivers a wide range of programs and services to support business development including: AgriInsurance, Livestock Insurance; the Provincial Agrifoods Assistance Program, Growing Forward, and the Agriculture and Agrifoods Development Fund; grants and subsidies for the Newfoundland and Labrador Federation of Agriculture, 4-H Program, and the Provincial Training Program; and Professional Advisory Services through eight Agriculture Development Officers and three Farm Management Specialists.

Land Management

The agency offers a number of programs and services in the area of land resource stewardship including the: Environment and Land Use Program, involving the Real Property Tax Exemption Program; Land Consolidation Program; Environmental Farm Planning Program; Agricultural Limestone Program; and Agricultural Access Roads and Electrical Services. Also included are soils and mapping activities, delivered through the Soil Survey Program; geographic information system development; field mapping and database development; and the Soil Fertility and Laboratory Service Program.

Production and Market Development

The agency offers a wide range of programs and services aimed at maximizing production and market development at the primary and secondary levels. These programs and services include: professional and technical support, pest control training, research and development, market development, market intelligence, on-farm food safety, off-farm food safety, and marketing and promotion.

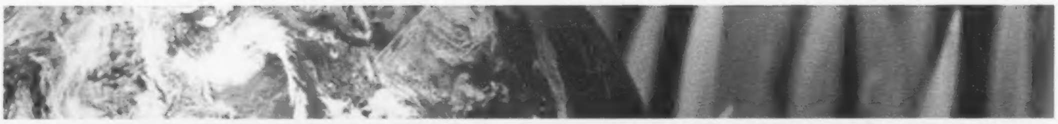
2012-13 Year in Profile

In 2012-13 the staff of the Forestry and Agrifoods Agency has delivered programs and services that support the sustainability, economic development of our renewable forestry and agrifoods resources. The following sections profile some of the accomplishments of the agency during 2012-13.

1. Growing Forward and Growing Forward 2

This was the final year of Growing Forward Program. Over the five year period, $29.42 million has been spent and 713 projects funded over the last five years through this 60/40 federal provincial cost shared program in the following areas: innovation, land development, agriculture sustainability, mitigating agricultural risks, agriculture opportunities and new farm investment.

The Forestry and Agrifoods Agency was also successful in negotiating a new five year Growing Forward 2 policy framework with the Federal Government. Growing Forward 2 will provide ongoing funding for a comprehensive suite of business risk management programs, and investment for strategic initiatives that focus on innovation, competitiveness and market development. Programming has been developed to achieve a profitable, sustainable, competitive and innovative agriculture, agri-food and agri-products industry in Newfoundland and Labrador. Three provincially delivered Growing Forward 2 programs will be available to the agriculture industry: Advancing Innovation Program, Agriculture Sustainability Program, and the Agriculture Opportunities Program.



2. The Agriculture Research Initiative Investment Builds Research Capacity in the Province

The Agriculture Research Initiative is a three year federal/provincial cost-shared program which is funded under the Canada-Newfoundland and Labrador AgriFlexibility Agreement on a 60/40 federal-provincial basis for total funding of $7.3 million with $2.3 million in 2012-13. Funding is provided to build both public and private sector applied research capacity in Newfoundland and Labrador in support of the competitiveness of the agriculture sector. Projects for 2012-13 included Northern Berry Study, Manure Management on Mink Farms, and Cheese Manufacturing. Research continues in the following areas: Grains and Forage Research, Alternative Crops Research, Seed Potato Research, and Integrated Pest Management. This type of program is essential to the growth and diversification of all sectors in the agriculture industry.

3. Over $1.0 Million Invested through the Cranberry Industry Development Program

This is the last year of the five-year Cranberry Industry Development Program (CIDP). The CIDP was established to facilitate the development of the cranberry industry with financial assistance of $15,000 per acre for up to 100 acres per year for eligible applicants. In 2012-13 the program expended over $1.0 million for cranberry site development and plant propagation for a five-year program total of over $4.7 million. Cranberry site development activities include cranberry bed development, dykes, water reservoirs and irrigation systems, ditches and drainage tiles, and the acquisition of approved cranberry plant material.

4. Upgrades to the Laboratory Information System

The viability of farming is dependent on the management decisions made by farmers, and one of the most important factors affecting management decisions is quality and condition of soil. The Soil, Plant and Feed Laboratory has upgraded equipment and reviewed and established modern soil and feed analytical methods to better support the agricultural industry in Newfoundland and Labrador. Support provided by the Agricultural Research Initiative, resulted in the purchase of an Inductively Coupled Plasma Spectrometer, ICP, allowing the Lab to provide additional analysis in a more efficient manner. The Laboratory enrolled in the North American Proficiency Testing (NAPT) Program of the Soil Science Society of America which will assist the laboratory in its performance through inter-laboratory sample exchanges and a statistical evaluation of the analytical data. In addition to methodology and equipment upgrades, in 2012-13 upgrades to the Laboratory Information System were completed with the help of the OCIO to ensure recommendations are consistent with current methods using the best information available. The ICP and upgraded Information System will be in full effect as of May 1, 2013. This will result in more efficient and accurate analysis for farmers and home gardeners.

5. Bridge Inspection/Monitoring Work in 2012-13

In 2008 the Engineering Section of the Forestry Services Branch developed a computer database to inventory all water course crossing structures (bridges and large pipe) on crown owned resource roads in Newfoundland and Labrador. Each year the database is updated with new information on the location and status/condition of existing and newly erected structures. Existing bridges that are

in poor condition or have failed are prioritized for either replacement or removal. In 2012 the Engineering section under the Provincial Capital Roads Program commissioned the construction of 16 new bridges, the repairs to 6 and the removal of 8 bridges throughout Newfoundland and Labrador. The engineering section is dedicated to ensuring bridge inspections and follow ups are done in a timely fashion to ensure public safety and fish habitat are not compromised. The objectives of multiple stakeholders (tourism, mineral exploration, outfitters, and snowmobile federation) are incorporated into the decisions. In 2013 some 15 additional bridges are earmarked for construction/repair.

6. Busy Forest Fire Season

An early spring, low snow loads and high temperatures all contributed to an early start to the 2012 forest fire season. Indices rose throughout the summer due to prolonged dry spells and high temperatures. The conditions resulted in a busy year. The province experienced one of its busiest summers for forest fires in a decade. By fall, 196 fires were recorded including large fires in Labrador which threaten several communities. The biggest fire in June resulted in the precautionary evacuation of the community of Northwest River. Thanks to favorable weather, the efforts of our fire staff and water bomber pilots, no resources were lost in this series of fires throughout Labrador. The island also saw several large fires in July and August. The four new water bombers recently purchased by the province were a valuable asset this forest fire season. The use of newly formed "Incident Management Teams" also proved successful to combat wildland fires in an effective manner.

7. Province closely watching Eastern Spruce Budworm populations and other major forest pests

In 2012, the province continued to monitor major forest pest populations through annual surveys conducted by the Department of Natural Resources Insect and Disease Control Section (IDC). One insect being closely monitored is the eastern spruce budworm (SBW). This insect caused widespread tree mortality and growth losses during the 1970-80's requiring large-scale aerial control to mitigate impacts. Since 2004, populations of this major insect have increased in the province of Quebec with ca. 2.25 million ha of moderate to severe SBW defoliation recorded in 2012. Populations of SBW also appear to be on the rise in other Atlantic provinces.

Of concern is the possible immigration of moths from neighboring jurisdictions. Records of this occurring under favorable weather conditions can be found during the last outbreak. When immigrants are combined with local SBW populations, natural controls normally capable of keeping populations in check are overwhelmed leading to population increases/outbreaks. To detect rising SBW populations as early as possible a network of pheromone trapping locations is used to monitor low density populations through the capture of adult moths. Results in 2012 indicated a two-fold increase in the number of adult moths caught and also suggested an immigration event occurred on the west coast. Despite the increases noted no areas of defoliation are forecast for 2013.

8. Renewing the Forest for Future Generations

Central to the mandate of the agency is a commitment to forest sustainability. One way in which sustainability is achieved is through silviculture. Each year the agency implements a province-wide silviculture program and facilitates the delivery of a parallel program by Corner Brook Pulp and Paper Limited (CBPPL) through a cost-sharing arrangement with that company. The program is broadly comprised of two sub-programs, reforestation and forest improvement. Reforestation covers a wide range of activities associated with the establishment of new forests whereas forest improvement deals with manipulation of existing juvenile forests to improve their growth and increase their future economic potential. In 2012-13, the agency invested $8.9 million in the annual silviculture program which resulted in the treatment of 8,400 hectares across Newfoundland and Labrador. More than 52 per cent of the area treated was planted for future economic development and for the many other forest ecosystem values held by Newfoundlanders and Labradorians.

9. Environmental Management System (EMS) for Crown Limits

Further efforts to develop and implement an Environmental Management System (EMS) CAN/ISO 14001-2004 Standard for all forest management activities on Crown land in Newfoundland and Labrador continued in 2012-13. Development of an EMS system for all forest management programs administered by DNR Forest Service Branch will strengthen the entire forest industry in the province. The EMS has completed its planning and development phase and is now being rolled out to industry. Training sessions were carried out with Forestry staff and has commenced for commercial permit holders. Training will continue into the 2013-14 year.

Outcome of Objectives

This section of the Annual Performance Report details the significant work undertaken and completed by the agency on its goals during the 2012-13 planning period and progress toward achieving the goals of the agency's 2011-14 Strategic Plan.

Issue 1: Forestry, Agriculture and Agrifoods Resource Sustainability

The Forestry and Agrifoods Agency continues to focus on areas to ensure the continued sustainability of our renewal natural resources.

In addition to the many programs and services that assist to sustain our valued forest resources, the Forestry Services Branch has been working to draft a 10 year Provincial Sustainable Forestry Management Strategy. Various groups have been consulted in the process and a visionary plan has been drafted to guide the forestry sector over the next decade. The Forestry Services Branch has also drafted Sustainable Forest Management Planning Regulations and has also been advancing in the area of an Environmental Management System which will be beneficial in the sector.

The Agrifoods Development Branch also continued its work to sustain the province's agriculture resources. The staff has delivered various programs such as the Growing Forward Sustainability Program and has worked with Agriculture and Agri-Food Canada to ensure the best possible business risk management programs for our producers. The Branch has also defined the agriculture land base and to ensure that land that has been allocated for agriculture production is being fully utilized, increased compliance checks are being done.

The Forestry and Agrifoods Agency continues its efforts to ensure the sustainability of our resources for years to come.

Goal

By March 31, 2014, the Forestry and Agrifoods Agency will have implemented measures to advance forestry, agriculture and agrifoods industry sustainability in the province.

Objective:

By March 31, 2013, the Forestry and Agrifoods Agency will have continued implementation of initiatives to support sustainable development of the forestry, agriculture and agrifoods industries.

Measure:	Continued implementation of initiatives to support sustainable development of the forestry, agriculture and agrifoods industries.

Progress 2012-13

1. **Advanced ongoing efforts to complete an Environmental Management System for certification of Crown forestry operations**

   The agency advanced ongoing efforts to complete an Environmental Management System on Crown forestry operations for registration under ISO 14001 standard. In 2012-13 the following tasks were completed for the Environmental Management System:

   - a functional group was formed with members representing each division and region across the province;
   - Standard Operating Procedures (SOPs) were developed;
   - Training needs were determined;
   - EMS awareness training was conducted for Forestry Service Branch employees;
   - A training program for commercial permit holders was developed; and,
   - Training for commercial permit holders commenced in January with training completed in three of 24 districts.

2. **Completion of consultations and the development of a Provincial Sustainable Forestry Management Strategy**

   Consultations were completed with Aboriginal groups, environmental groups, and forest industry groups. As well, there were six public consultation sessions held in Grand Falls-Windsor, Gander, Plum Point, St. John's, Corner Brook and Happy Valley-Goose Bay. However, given the time to complete consultations, the Provincial Sustainable Forestry Management Strategy for 2014-24 has been developed but not yet finalized as it is required to go through a review process.

3. **Drafted the Sustainable Forest Management Planning Regulations.**

   Sustainable Forest Management Planning Regulations have been drafted. These regulations were prepared to ensure consistency with the *Environmental Assessment Regulations*, to formalize public consultation, and to detail specific sustainable forest management plan requirements, content and administration.

4. **Development of a defined Agriculture Production Landbase with an increase in compliance on existing leases**

   An Agricultural Production Land Base has been defined utilizing soils mapping and soil field surveys, identifying those soils in Newfoundland and Labrador that have the capability for agriculture development. This land base will be very important in expanding agriculture production in Newfoundland and Labrador reducing the requirement for imported vegetables, fruit and forage. Existing agriculture leases are undergoing increased lease compliance checks to ensure development conditions of the leases are met in an effort to fully utilize land that has already been allocated for agriculture production.

5. **Worked with AAFC to review the current suite of Federal Provincial Territorial Business Risk Management programming and administration**

   The agency worked with other federal, provincial and territorial governments to review and make adjustments to the AgriStability and AgriInvest programs funded under Growing Forward 2. The agency was involved in the Business Risk Management Policy Working Group, the Business Risk Management Administrators Working Group, and Federal Provincial Territorial Agriculture meetings at the

Assistant Deputy Minister, Deputy Minister and Ministerial levels. Growing Forward 2 provides ongoing funding for a comprehensive suite of business risk management programs including AgriInvest, AgriStability, AgriInsurance and AgriRecovery. These programs offer producers risk management protection against market volatility, declines in farm income, and agriculture disasters.

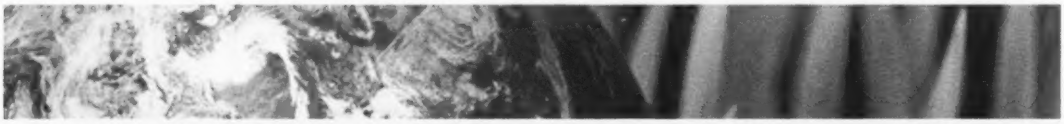
6. **Developed and administered training of enforcement personnel for Animal Health Legislation.**

A ten day training program for enforcement personnel for Animal Health Legislation has been developed and is being administered. In December 2012, municipal employees covering 12 communities (Labrador City, Wabush, Gander, Placentia, Wabana, Torbay, Flatrock, Pouch Cove, Logy Bay-Outer Cove-Middle Cove, Conception Bay South, Mount Pearl and St. John's) received partial or complete training in enforcement of the animal protection provisions of the new *Animal Health and Protection Act*. As a result, 13 municipal employees covering 10 communities are ready for appointment as Inspectors under this Act.

7. **Continued administration of Growing Forward Sustainability Programs and ensured that these programs are included in the Growing Forward 2 framework.**

The Agriculture Business Development Division was successful in delivering the last year of the Growing Forward Agriculture Sustainability Program in 2012-13. Funding was provided to enhance food safety and environmental stewardship within the agriculture and agrifoods industry. Investment was made to support environmental farm planning and implement environmental best management practices on farms across the province. Additionally, investment was made to provide food safety advisory services and implement on-farm good manufacturing practices to enhance food safety systems and processes.

The Agrifoods Development Branch was successful in negotiating a new five year Growing Forward 2 policy framework which included funding for an Agriculture Sustainability Program that will focus on investments for environmentally responsible agriculture, including priority areas of alternative energy sources and other activities that mitigate climate change and its impact.



Objective, Measure and Indicators for 2013-14

Objective

By March 31, 2014, the Forestry and Agrifoods Agency will have implemented measures to advance forestry, agriculture and agrifoods industry sustainability in the province.

Measure: Implemented measures to advance forestry, agriculture and agrifoods industry sustainability

Indicators

- Completion of the review and finalization of the Provincial Sustainable Forestry Management Strategy for 2014-24
- Further advancement of the implementation of an Environmental Management System in preparation for introduction of a Forest Certification System in Newfoundland
- Completion of Agricultural Soils, Plant and Feed Laboratory equipment and methodology upgrade
- Implementation of the Agriculture Sustainability Program through Growing Forward 2
- Completion of the expansion of the disease diagnostic capacity for the agriculture industry at the Provincial Agriculture Building

Issue 2: Forestry, Agriculture and Agrifoods Innovation, Development and Promotion

The Forestry and Agrifoods Agency supports opportunities to further develop our forestry and agrifoods sectors. Our staff works diligently to promote the sector to raise awareness of our renewable resources. We have been very active in promoting the sectors through various national forest week initiatives. Creating an awareness of the importance of our forest to the public and our school aged children is an important component in forest education. The Agrifoods Development Branch promoted the agriculture and agrifoods industry through agricultural fairs and events. These initiatives gave us an opportunity to raise awareness of what agricultural products are grown in Newfoundland and Labrador and to highlight the importance of food security in our province.

The agency has supported innovation and development through many of its programs and services for the agriculture and agrifoods industry. The Centre for Forest Science and Innovation is partnering with others in the research field to build upon the innovative work being done in the province in forestry research. The Agrifoods Development Branch has worked with Agriculture and Agri-Food Canada to negotiate a Growing Forward 2 Program. Programming has been developed to achieve a profitable, sustainable, competitive and innovative agriculture, agrifood and agri-products industry in Newfoundland and Labrador.

Goal

By March 31, 2014, the Forestry and Agrifoods Agency will have supported the expansion and promotion of the forestry, agriculture and agrifoods industries through innovative initiatives.

Objective

By March 31, 2013 the Forestry and Agrifoods Agency will have continued the implementation of initiatives to support forestry, agriculture and agrifoods industry expansion and promotion.

Measure: Continued implementation of initiatives to support forestry, agriculture and agrifoods industry expansion and promotion.

Forestry and Agrifoods Agency

2012-13 Progress

1. **Supported National Forest Week initiatives that promote the forest resource and associated industries**

   In 2012-13 the Department supported the promotion of forest resource and associated industry through National Forest Week activities. A Provincial Forestry Communication Committee, chaired by the Model Forest and formed with representatives of various industry players (including Forestry and Agrifoods Agency), conducted a series of events all through Forestry Week in mid September. Events included BBQ in the park, brown bag lunches with speakers, a forestry focused supplement in local papers, and kids forestry education day with series of informative stops. School and public events in the majority of all forestry district offices through Newfoundland and Labrador were held.

2. **Conducted research projects, in partnership with other stakeholders, to support forest industry expansion**

   In 2010 Government created within the Forestry and Agrifoods Agency a dedicated forestry research group, the Centre for Forest Science and Innovation (CFSI). For the fiscal period 2012-13 CFSI directly invested $474,384 in provincial forestry research while leveraging a total research value of $1,661,561 to support forest industry expansion. This now brings the Centre's three-year total research investment to approximately $1.3 million which supports a total forest research portfolio in excess of $9 million. Provincial Forestry Research has been carried out through partnerships with such groups as Memorial University, Natural Sciences and Engineering Research Council (NSERC), Research and Development Corporation of Newfoundland and Labrador (RDC), Corner Brook Pulp and Paper Ltd, Newfoundland and Labrador Lumber Producers Association (NLLPA), College of the North Atlantic, Canadian Forest Service, FPInnovations, BioFuel Net Canada and Atlantic Canada Opportunities Agency (ACOA).

3. **Worked with Federal Provincial Territorial governments to finalize Growing Forward 2 framework**

   The Forestry and Agrifoods Agency was successful in negotiating and finalizing a new five year Growing Forward 2 policy framework with the Federal Government. Growing Forward 2 will provide ongoing funding for a comprehensive suite of business risk management programs, and investment for strategic initiatives that focus on innovation, competitiveness and market development. Programming has been developed to achieve a profitable, sustainable, competitive and innovative agriculture, agrifood and agri-products industry in Newfoundland and Labrador. Three provincially delivered Growing Forward 2 programs will be available to the agriculture industry: Advancing Innovation Program, Agriculture Sustainability Program, and the Agriculture Opportunities Program.

4. Consulted with industry and stakeholders on Growing Forward 2

In December 2012, the Agriculture Business Development Division consulted with industry representatives, including the Newfoundland and Labrador Federation of Agriculture, on the proposed Growing Forward 2 programming for Newfoundland and Labrador. The commodity stakeholder representatives provided feedback on the proposed programming and were generally pleased that the programs addressed the unique challenges and opportunities in the agriculture and agrifoods industry. Programming will focus on agriculture land development; environmental sustainability; food safety, biosecurity and traceability; market development; innovation; human resources; and business development for both existing agribusinesses and new entrants.

5. Enhanced opportunities to raise awareness on agriculture and food security issues

The Agrifoods Development Branch through many initiatives enhanced opportunities to raise awareness on agriculture and food security. The Branch participated in twelve fairs, festivals and agricultural events across the province in 2012. These shows provide opportunities to connect with and educate the public about the industry and agriculture products available locally. This is achieved by personal communication, product sampling, booth display and distribution of promotional and educational items. At these shows, a variety of materials were distributed including gardening handouts, children's coloring books, recipe brochures as well as other pamphlets highlighting agricultural products in this province. In addition, sampling of local products and cooking demonstrations by local chefs at some events proved to be a success.

The first annual "From This Rock" Culinary Tourism Tour took place in 2012. This tour consisted of a team of "celebrity" chefs from rural Newfoundland and beyond

that have an interest in getting familiar with and showcasing the agricultural industry of Newfoundland and Labrador. The team of chefs traveled across the province and created a total of six events that allowed the public an opportunity to experience what chefs are able to create with local food while providing chefs the chance to work with fresh ingredients produced in Newfoundland and Labrador.

Open Farm Day is an Atlantic province-wide initiative designed to raise awareness of the agriculture industry in this region. The event provides the general public with an opportunity to visit local farms to discover where their food comes from, meet the people who produce it and enjoy a family fun-filled day on the farm, whether it be taking a tour on a hay wagon, eating local sweet corn, riding a horse or harvesting fresh vegetables. In addition, Open Farm Day provides farmers with an opportunity to meet consumers and educate them on producing fresh, quality food as well as increase sales and the potential of gaining long-term customers.

Objectives, Measure and Indicators for 2013-14

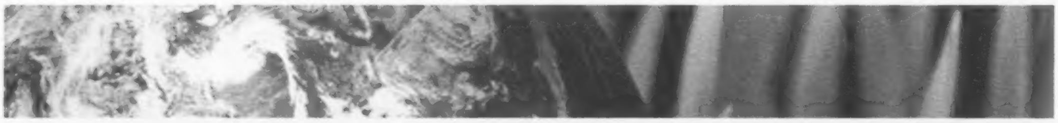
Objective

By March 31, 2014, the Forestry and Agrifoods Agency will have supported the expansion and promotion of the forestry, agriculture and agrifoods industries.

Measure: Supported the expansion and promotion of the forestry, agriculture and agrifoods industries.

Indicators

- Supported and participated in hosting National Annual General meeting of Canadian Institute of Forestry
- Assessed proposals for new industry development following the call for Expressions of interest in the development of fiber-based industry in Central Newfoundland
- Assessed proposals for new industry development following the call for Expressions of Interest in the development of fiber-based industry in Labrador
- Implementation of the Advancing Innovation Program through Growing Forward 2
- Implementation of the Agricultural Opportunities Program through Growing Forward 2



Strategic Directions

The outcomes achieved by the Forestry and Agrifoods Agency with respect to their objectives for the year are consistent with the minister's strategic directions for the strategic planning period. Many of the successes referenced below are covered in more detail in the Outcomes of Objectives section but are included here to illustrate their strategic importance.

Strategic Direction: Forestry, Agriculture and Agrifoods Resource Sustainability

Sustainability is paramount in the long term planning for the forestry and agriculture and agrifoods sectors. Over the past year, the agency has strived to work with industry stakeholders to sustain our renewable natural resources. The Forest Services Branch has drafted a long term Provincial Sustainable Forestry Management Strategy that will guide the industry over the next 10 years. We have also made tremendous advancements in the development of the Environmental Management System for the sector. The Agrifoods Development Branch has also worked diligently to provide programs such as the Agriculture Sustainability Program for our agriculture sector. The Branch has also worked to ensure the current allocation of land for agriculture production is being fully optimized.

Strategic Direction: Forestry, Agriculture and Agrifoods Innovation, Promotion and Development

It is important to support advancement of our forestry and agriculture sectors to create economic benefits to many regions throughout Newfoundland and Labrador. Promotion of the sectors is very beneficial to create an awareness of our industries to the public. Both Branches within the agency are very active with education and awareness initiatives. To further support innovation in utilizing our forest resources, the Centre for Forest Science and Innovation has partnered with other organizations to perform collaborative forestry research. Our Agrifoods Development Branch offered a variety of programs such as the Agriculture and Agrifoods Development Fund, the Agriculture Research Initiative, and the Growing Forward Program to provide opportunities to strengthen the agriculture and agrifood industry in the province.

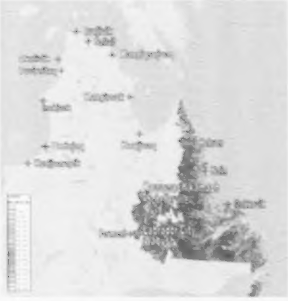
Additional Highlights and Accomplishments

The additional highlights in this section also contributed to achievement of the Strategic Plan 2012-14. They were important in assisting sector development and/or diversification or improved sustainable resource development.

1. Renovations and Expansion of Animal Disease Diagnostic Capacities

The agency, with the support of AAFC funding, has invested in the renovation and expansion of its animal disease diagnostic capacities at the Provincial Agriculture Building (St. John's). Once completed, this will allow for the testing of such important diseases as avian influenza and rabies. Further improvements in the capacity to dispose of biomedical wastes will be completed in 2013-14.

2. Animal Disease Research



Academic research is being conducted through the support of the Agriculture Research Initiative, in collaboration with Memorial University, for a number of diseases of economic importance to the province's agriculture industry, and/or of importance to human health. These include the following diseases; rabies, avian influenza, Klebsiella mastitis, Johne's disease, French Heartworm infection, and mosquito-borne diseases.

3. Agriculture Extension Services Reaches Out to Industry

Professional advisory services are provided to industry across the province by the Agriculture Extension Services section through six regional offices and eight Agriculture Development Officers (ADO). The ADOs provide:

- advice on crop and livestock production practices;
- information and advice on various programs offered by the Agrifoods Branch;
- specialized agronomic and business expertise; and
- assist in the identification, evaluation and development of agriculture business opportunities.

In the 2012-13 fiscal year, Agriculture Development Officers made 1,885 contacts with clients for advisory services. The total contacts can be broken down further to include:

- 60 per cent of contacts were with commercial farmers;
- 24 per cent of contacts were with new or beginning farmers;
- 23 per cent of contacts were made for crop, livestock, or farm business management advisory services; and
- 11 per cent of contacts were made for land issues.

As well, the Agriculture Extension Services section is active in delivering and promoting regional or commodity-specific workshops and training opportunities for industry.

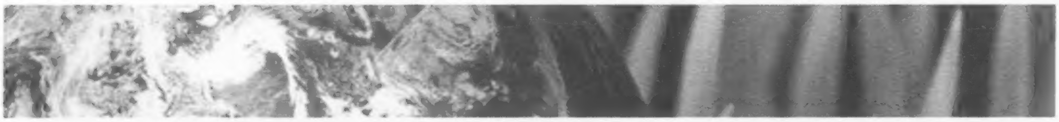
4. Agency Supports Efforts to Grow Lumber Market in Commercial Applications

In 2012-13, the Forestry Services Branch participated in the Atlantic WoodWORKS Program which is a market development initiative focusing on increasing regional and domestic consumption of wood products in non-residential provincial and municipal projects. The Atlantic WoodWORKS! Program, which was launched in 2011, comes under the leadership and management of the Maritime Lumber Bureau (MLB).

The program is a coordinated effort funded by the provinces of New Brunswick, Nova Scotia, and Newfoundland and Labrador; the Atlantic Canada Opportunities Agency; Canadian Wood Council, and the MLB. The objective of this program is to educate and inspire building professionals and decision makers in Atlantic Canada to consider the benefits of building with wood and in turn increase the use of wood in commercial construction. The Atlantic WoodWORKS! Program is currently engaged with a number of municipalities in the province who are considering using wood products in new construction projects.

5. Sawmill Analysis Completed at Local Sawmills

The Forestry Services Branch work closely with the wood products industry to identify new products, support market development, and enhance mill technology. This past year staff completed a number of sawmill analyses at mills in northern and western regions of the province. The objective was to provide the owners with an analysis of their mill with the goal of increasing mill profitability through improvements in efficiency and lumber recovery. Each analysis is presented in a summary report and is followed up with a formal meeting to discuss the results and identify improvement opportunities.



Shared Commitments

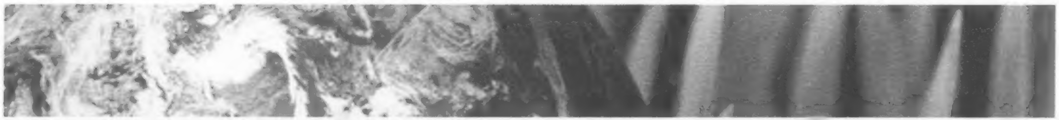
The Department of Natural Resources has legislative oversight for the following public bodies related to the forestry, agriculture and agrifoods sectors: Timber Scalers Board, Forest Land Tax Appeals Board, Chicken Farmers of Newfoundland and Labrador, Wooddale Land Development Advisory Authority, St. John's Urban Region Agricultural Appeal Board, St. John's Land Development Advisory Authority, Agricultural Land Consolidation Review Committee, Farm Industry Review Board, Newfoundland and Labrador Livestock Owners Compensation Board, Newfoundland and Labrador Crop Insurance Agency, and Newfoundland and Labrador Farm Products Corporation. The Forestry and Agrifoods Agency works closely with these public bodies toward fulfillment of the strategic directions of the Minister of Natural Resources.

The Forestry and Agrifoods Agency also works with the federal government through programs such as Growing Forward, Growing Forward 2 and the Canada-Newfoundland AgriFlexbility Agreement which allows for greater investment in our agriculture and agrifood industry.

Growing Forward ended March 31, 2013 and over the five year program $29.42 million has been spent on over 713 agriculture projects in the areas of innovation, land development, agriculture sustainability, mitigating agricultural risks, agriculture opportunities and new farm investment.

The Growing Forward 2 policy framework has recently been negotiated. This program will provide ongoing funding for a comprehensive suite of business risk management programs, and investment for strategic initiatives that focus on innovation, competitiveness and market development.

The Agriculture Research Initiative is a three year federal/provincial cost-shared program which is funded under the Canada-Newfoundland and Labrador AgriFlexibility Agreement on a 60:40 federal-provincial basis for total funding of $7.3 million. Funding is provided to build both public and private sector applied research capacity in Newfoundland and Labrador in support of the competitiveness of the agriculture sector.



Opportunities and Challenges

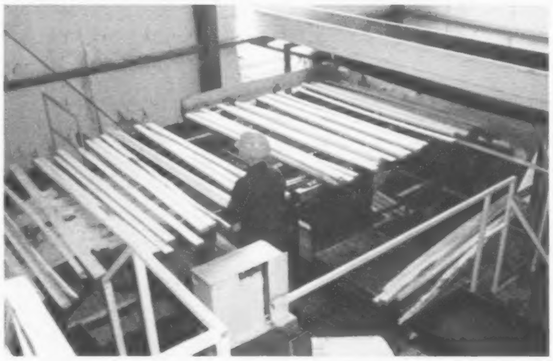
As the Forestry and Agrifoods Agency moves forward it will continue to work with the forestry, agriculture and agrifoods sectors to embrace opportunities and seek solutions to the challenges ahead.

The Agriculture and Agrifoods Industry

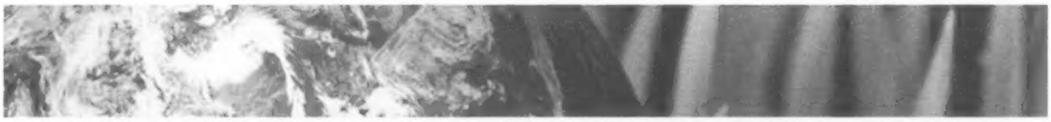
Our agriculture and agrifoods industry has the potential to expand production of our locally grown products. The agency will continue to promote and support through our programs and services our industry and the high quality products that are produced in Newfoundland and Labrador. Our agriculture industry also faces challenges in its expansion such as attracting new entrants and increasing local agriculture production in an economically and sustainable manner to ensure the optimal benefits to the agricultural community.

The Forest Industry

The existing forest resource in the province supplies the current forest industry with a reliable sustainable fibre flow. There are opportunities to develop new fibre-based industries in both Central Newfoundland and in Labrador. The agency will support development of sustainable economic opportunities in the province. The management of the forest resource continues to advance best management practices. The challenge faced by new and existing industry manufacturers is the competition in the global markets. The Forestry and Agrifoods Agency will continue to work with stakeholders to advance the sector.



Sawmill Operation



Appendix I: Legislation

Mines and Energy

1. ***Petroleum and Natural Gas Act***. Defines how the rights to explore for and develop oil and gas properties on land may be obtained and maintained; how areas may be assigned for exploration; the scope with which government may regulate activity and the various royalties that may be due.

2. ***Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act.*** Sets out the mechanism for joint federal-provincial management of the Newfoundland offshore area through the Canada-Newfoundland Offshore Petroleum board; defines the methods of obtaining exploration and production rights; the requirements for safety, resource conservation and environmental protection and the activities that may be regulated. The *Act* is mirrored in federal statutes.

3. ***Hydro Corporation Act.*** Continues the existence of, and sets out the mandate, powers and management structure of the Newfoundland and Labrador Hydro-Electric Corporation as a Crown agency.

4. ***Electrical Power Control Act.*** Sets policy with regard to electric power rates and establishes provisions for the determination of such power rates by the Public Utilities Board.

5. ***Lower Churchill Development Act.*** Authorizes the Minister of Mines and Energy [Natural Resources] to enter into an option agreement with the corporation guaranteeing the Lower Churchill Development Corporation (LCDC) executive water rights, rights to flood land and a sole option to purchase the Gull Island hydro assets.

6. ***Newfoundland and Labrador Power Commission (Water Power) Act.*** Extinguishes certain water power rights held at the time by BRINCO and provides for their assignment to Newfoundland and Labrador Hydro (Power Commission) to facilitate financing of the Bay d'Espoir hydro-electric project.

7. ***Miscellaneous Financial Provisions Act, 1975.*** Removes any restrictions elsewhere in provincial legislation on government assigning to Newfoundland and Labrador Hydro Electric Corporation a right, title or interest in royalties and rentals in

clauses 1 and 8 of Part II of the lease between government and CF(L) Co.

8. ***Mineral Act.*** Defines the rights of explorers and developers of mineral properties; the methodology to be used in obtaining such rights and the areas where government may regulate activity.

    The Mineral Regulations provide specific details on the methods by which mineral rights may be acquired and the fee payments and reporting schedules required to keep these rights in good standing.

9. ***Mineral Holdings Impost Tax Act***. Designed, by imposition of a tax, to encourage holders of mineral properties that do not come under the terms of the *Mineral Act* to either explore their lands or to surrender them so that they become subject to the *Mineral Act*.

    The *Mineral Holdings Impost Regulations* set out the level of tax (impost) to be paid and the requirements for offsetting the tax through exploration expenditures.

10. ***Quarry Materials Act, 1998.*** Defines the rights of explorers and developers of quarry materials; the methods by which such rights may be required, royalties payable; and areas where government may regulate activity.

    The *Quarry Materials Regulations* set out the details for obtaining such rights and keeping them in good standing.

11. ***Undeveloped Minerals Areas Act***. Enables government to arrange for the exploration of private mineral properties (generally ones which are not covered by the *Mineral Act*) that in its opinion have not been adequately explored. Properties affected by the *Act* have been identified by various orders.

12. ***Mining Act***. Regulates the development, operation and closure of mines in the province; outlines requirements for development, operational and rehabilitation and closure plans as well as milling licenses and financial assurance. This Act does not deal with Occupational Health and Safety matters.

13. ***Energy Corporation Act.*** Establishes the existence of, and sets out the mandate, powers and management structure of the Energy Corporation of Newfoundland and Labrador as a Crown agency

Forestry and Agrifoods

1. ***Abitibi-Consolidated Rights and Assets Act***. An act to return to the crown certain rights relating to timber and water use vested in Abitibi-Consolidated and to expropriate assets and lands associated with the generation of electricity enabled by those water use rights.

2. ***Foresters Act***. An act establishing the Association of Registered Professional Foresters of Newfoundland and Labrador. The act outlines the objectives, structure, operation and membership of the Association.

3. ***Forestry Protection Act***. An act to provide for the establishment and maintenance of a forest protection association in the province.

4. ***Forestry Act***. An act respecting the management, harvesting, and protection of the forests of the province.

5. ***Motorized Snow Vehicles and All-Terrain Vehicles Act***. An act respecting all-terrain vehicles.

6. ***Agrologists Act***. An act establishing the Newfoundland and Labrador Institute of Agrologists. The act outlines the objectives, structure, operation and membership of the Institute.

7. ***Animal Health and Protection Act***. An act respecting the health and protection of animals.

8. ***Crop Insurance Act***. An act respecting the Newfoundland and Labrador Crop Insurance Agency. The Crop Insurance Plan is covered under this act. The plan offers insurance on insurable agricultural crops under the regulations. The act designates the Newfoundland and Labrador Crop Insurance Fund and also the Crop Insurance Agency.

9. ***Farm Practices Protection Act***. An act respecting the protection of farm practices in the province.

10. ***Farm Products Corporation Act***. An act respecting the administration of Farm Products Corporation.

11. ***Livestock Insurance Act***. An act to provide for livestock insurance and

respecting the Livestock Owners Compensation Board. The Livestock Insurance Plan is covered under this act. The plan offers insurance on beef, sheep, cattle and goats from predatory attacks by dogs or coyotes. The act designates the Livestock Owners Compensation Fund and the Livestock Owners Compensation Board.

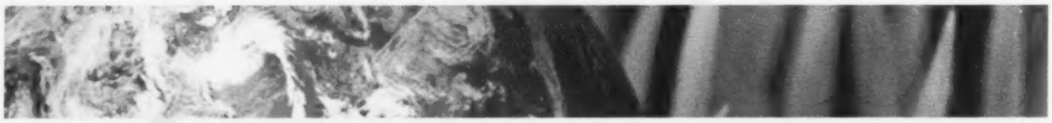
12. ***Meat Inspection Act***. An act to provide for animal and meat inspection in slaughterhouses. This act includes Meat Inspection Regulations which provide the details on standards and licensing for animal and meat inspection in slaughterhouses.
13. ***Natural Products Marketing Act***. An act to allow for the creation of commodity boards, and a supervisory board to protect the interests of the general public, and an act to amend the *Natural Products Marketing Act* and the *Farm Practices Protection Act* to create the Farm Industry Review Board.
14. ***Plant Protection Act***. An act respecting the protection of plants and the prevention of the spread of pests and diseases destructive to vegetation.
15. ***Poultry and Poultry Products Act***. An act respecting poultry and poultry products such as chicken and eggs.
16. ***Vegetable Grading Act***. An act respecting the grading of certain products of agriculture in the province.
17. ***Veterinary Medical Act***. An act to revise the law about veterinary medicine.

Appendix II: Statement of Revenues and Expenditures

Expenditure and revenue figures included in this document are based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2013.

STATEMENT OF EXPENDITURE AND RELATED REVENUE SUMMARY FOR THE YEAR ENDED 31 MARCH 2013 (Unaudited)

			Estimates	
		Actual ($)	Amended ($)	Original ($)
Executive and Support Services				
1.1.01	Minister's Office	402,211	418,000	404,800
1.2.01	Executive Support	3,069,037	3,085,900	2,530,700
1.2.02	Administrative Support	1,113,475	1,139,700	1,200,500
	Less: Revenue	(9,828)	(10,000)	(10,000)
1.2.03	Administrative Support (Capital)	20,202,992	21,663,900	4,053,900
	Less: Revenue	(769,219)	(2,119,500)	(2,119,500)
Total		**24,008,668**	**24,178,000**	**6,060,400**
Forest Management and Protection				
Forest Management				
2.1.01	Administration and Program Planning	9,056,979	9,473,700	10,100,900
	Less: Revenue (Provincial)	0	0	0
2.1.02	Operations and Implementation	11,243,973	11,342,400	10,075,600
	Less: Revenue	0	0	0
2.1.03	Silviculture Development	8,926,259	9,271,600	11,189,600
	Less: Revenue	(3,140)	(1,000)	(1,000)



			Estimates	
		Actual ($)	Amended ($)	Original ($)
2.1.04	Resource Roads Construction	3,656,116	4,005,200	4,005,200
2.1.05	Forest Industry Diversification	50,000	50,000	0
Forest Protection				
2.2.01	Insect Control	1,530,670	1,627,900	3,127,900
2.2.02	Fire Suppression and Communications	7,228,200	7,321,600	4,341,600
	Total	**41,689,057**	**43,091,400**	**42,839,800**
Agrifoods Development				
Land Resource Stewardship				
3.1.01	Land Resource Stewardship - Administration	2,207,692	2,229,400	2,171,800
	Less: Revenue	(17,341)	(33,000)	(33,000)
3.1.02	Limestone Sales	408,824	441,800	441,800
	Less: Revenue	(140,438)	(140,000)	(140,000)
3.1.03	Land Development	1,568,111	2,600,000	2,600,000
Production and Market Development				
3.2.01	Production and Market Development - Administration	2,434,057	3,410,700	3,377,500
	Less: Revenue	(15,516)	(454,700)	(454,700)
3.2.02	Marketing Board	98,241	177,000	177,000
Agricultural Business Development				
3.3.01	Agricultural Business Development - Administration	1,816,152	1,842,100	1,986,500
3.3.02	Agriinsurance and Livestock Insurance	396,620	414,400	414,400

			Estimates	
		Actual ($)	Amended ($)	Original ($)
	Less: Revenue (Federal)	(175,949)	(202,800)	(202,800)
3.3.03	Agricultural Initiatives	2,116,169	2,250,000	2,250,000
3.3.04	Agriculture and Agrifoods Development Fund	1,479,301	2,285,000	3,065,000
	Less Revenue Provincial	(225,000)	0	0
3.3.05	Growing Forward Framework	5,541,720	5,749,600	5,749,600
	Less: Revenue (Federal)	(3,394,638)	(3,268,300)	(3,268,300)
	Less: Revenue	0	(10,000)	(10,000)
Animal Health				
3.4.01	Administration and Support Services	2,952,009	2,997,600	3,119,100
	Less: Revenue	(546,865)	(530,000)	(530,000)
3.5.01	Research and Development	1,827,345	2,224,300	1,584,300
	Less: Revenue (Federal)	(950,562)	(556,500)	(556,500)
Total		**17,379,932**	**21,426,600**	**21,741,700**
Mineral Resource Management				
4.1.01	Geological Survey	5,732,036	5,967,000	6,066,200
	Less: Revenue	(264)	(4,000)	(4,000)
4.1.02	Mineral Lands	1,639,422	1,678,400	1,437,800
	Less: Revenue	0	(5,000)	(5,000)
4.1.03	Mineral Development	4,698,315	6,179,700	5,670,300
	Less: Revenue	(10,000)	0	0
Total		**12,059,509**	**13,816,100**	**13,165,300**

			Estimates	
		Actual ($)	Amended ($)	Original ($)
Energy Resources and Industrial Benefits Management				
5.1.01	Energy Policy	4,997,300	5,204,600	4,651,600
5.1.02	Petroleum Development	1,480,048	1,528,700	1,517,500
5.1.03	Canada/Newfoundland and Labrador Offshore Petroleum Board	7,635,800	7,635,800	7,635,800
	Less: Revenue	(5,878,839)	(5,726,900)	(5,726,900)
5.1.04	Royalties and Benefits	3,136,670	3,426,800	3,808,300
	Less: Revenue	(74,497)	(70,000)	(70,000)
5.1.05	Energy Initiatives	4,444,410	5,723,500	5,728,500
5.1.06	Energy Initiatives - Capital	245,000,000	645,175,000	664,000,000
Total		**260,740,892**	**662,897,500**	**681,544,800**
Total Department		**355,878,058**	**765,409,600**	**765,352,000**

Appendix III: Inactive Entities Reporting to the Minister

The following category three public bodies that report to the Minister of Natural Resources were inactive for the period April1, 2012 to March 31, 2013. In the event that one of these public bodies becomes active, it will prepare, and table in the House of Assembly, an Annual Performance Report.

Mineral Rights Adjudication Board

Section 37 of the *Mineral Act* provides for the appointment of a Mineral Rights Adjudication Board. It is the function of the Board, and the Board has exclusive jurisdiction, to hear and determine a question, dispute or matter arising out of the application of the *Mineral Act* or the *Mining Act* and applicable regulations.

Forest Land Tax Appeals Board

The Forest Land Tax Appeals Board was created pursuant to the *Forestry Act (1990)*. The mandate of the board is to hear appeals from landholders who disagree with the way in which Part III of the *Forestry Act (1990)* is applied. Appeals may concern: the contents of a Certificate of Managed Land issued to the appellant; entries made with respect to the appellant in the Assessment Roll; the amount of tax payable by the appellant; or whether or not the appellant is even liable for taxation under Part III of the act.

Timber Scalers Board

The Timber Scalers Board was created pursuant to the *Forestry Act (1990)*. Under section 124 of the act, the duties of the board are to: examine the ability and knowledge of persons who apply to be certified to scale timber; hear appeals to scaling disputes; and recommend to the minister new scaling methods before they are used.

Newfoundland and Labrador Farm Products Corporation

The Newfoundland and Labrador Farm Products Corporation was created pursuant to the *Farm Products Corporation Act*. The corporation has a mandate to establish abattoirs, cold storage plants, warehouses, packing and processing plants and other buildings and establishments of every kind necessary and suitable for the handling, preparation, processing and storage of farm products of every kind both animal and vegetable for the purpose of facilitating the development of farm products in the province. Associated activities may include: making advances of livestock to farmers and livestock keepers, either for cash or on credit; employing instructors to instruct farmers and livestock keepers; purchasing, storing, processing, packing and selling farm products of every kind; and handling, storing and selling or advancing on credit animal feeding stuffs or every kind.

The Lieutenant-Governor in Council may appoint not fewer than five or more than nine members to the Newfoundland and Labrador Farm Products Corporation. One person is to be chairperson. The members of the corporation, with the exception of the chairperson, shall be appointed for one year and are eligible for reappointment.

Newfoundland
Labrador